



# **GROWTH PATTERN OF JUTE INDUSTRY IN INDIA**

**DISSERTATION**

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Award of the Degree of**

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IN  
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**BY**

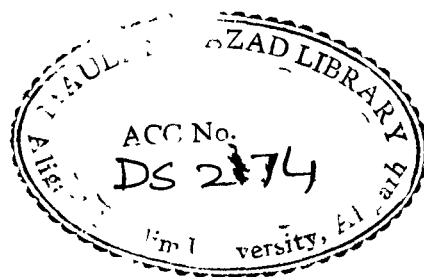
**MOHAMMAD ZAKARIA ANSARI**

**Under the Supervision of  
Dr. Ali Safdar Husain**

**M. Com. Ph. D. (Alig.)  
Reader**

**DEPARTMENT OF COMMERCE  
ALIGARH MUSLIM UNIVERSITY  
ALIGARH (INDIA)**

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*M Zakaria Ansari*  
(Mohammad Zakaria Ansari)

PREFACE

The Indian Jute Textile Industry is one of the major traditional agro-based industries of the country, having a history of more than 130 years. It occupies a pivotal place in the national economy by way of annual foreign exchange and number of people employed. Till the partition of the country, Indian Jute Industry enjoyed a monopolistic position in respect of jute products in the world-market. Since the partition, the growth of jute industry in India has been marked by various vicissitudes in production, export, and domestic demand.

Lately, the jute industry is facing troubled times and is somewhat crippled by many constraints, such as high cost of traditional items or increasing threats from synthetics. Resolution of the serious problems faced by this industry needs to be worked out urgently because it is incurring huge losses. Many jute units have become sick since long. The Government has made several efforts to revamp the industry. The steps have not been effective to improve it significantly.

The present study is undertaken to examine the main problems of the jute industry. Suggestions have been made to deal with the existing problems and to improve the overall working of this industry.

#### OBJECTIVES OF THE STUDY

The main objective of the study is to examine the overall performance of this industry as follows:

- (i) To examine the growth pattern of raw-materials (i.e. raw jute and Mesta) for jute textile industry;
- (ii) To examine the growth pattern of jute goods output;
- (iii) To examine the consumption pattern of jute manufactures in the internal and external markets; and
- (iv) To analyse the problems faced by the industry that are gravely impeding its growth.



The study is confined to the analysis of the objectives cited above. The appropriate conclusions have been incorporated in appropriate chapters of the present dissertation.

#### PLAN OF STUDY

The dissertation is divided into four chapters. The first chapter, "Introduction to Jute Textile Industry of India", contains the historical perspective of the industry. It highlights the locational pattern and its present state in the national economy. The Chapter-II, "Growth Pattern of Jute Textile Industry" presents analysis of its growth in recent times with a review of production of raw-material, production of jute manufactures, and consumption pattern of jute goods in internal and external markets as well as earnings of foreign exchange by jute products. The subsequent chapter-III, "Problem Faced By The Jute Textile Industry" deals with the problems and challenges facing the industry. The Chapter-IV present, a resume of the main findings and conclusion, together with suggestions to restore the health of the Indian Jute Textile Industry.

### RESEARCH METHODOLOGY

The study has made use of secondary sources collected from journals, books, periodicals, reports, newspapers, Government publications etc. Analysis and interpretation of data follows scientific methods to highlight the main problems of the industry. There have been limitations in the study due to secondary sources. However, the Research Scholar has taken every care in the study to avoid the limitations in the use of the secondary data.

CHAPTER - I

INTRODUCTION TO JUTE TEXTILE INDUSTRY  
OF INDIA

## CHAPTER-I

### HISTORICAL PERSPECTIVE OF JUTE INDUSTRY

Jute is a weed that yields natural fibre. Jute is known since the beginning of human civilization and probably the first ever use of it was as a string or rope to tie up things. With the advancement of culture and civilization it came to be spun as yarn, and woven into clothe. There are five main natural fibres which are commonly used for textile purposes like cotton, jute, flax, silk and wool. Jute occupies a position next to cotton among these fibres. It is the bast-tissue fibre which is extracted from the stem of the plant for the reason that the fibre lies between the bark and inner portion of the stem. There are two kinds of jute Chorchorous-Capsularis and Chorchorous-Olitorius known as 'White' and 'Tossa' jute respectively. The latter is also known as 'Red Jute'. It is finer, softer and stronger than the former. Chorchorous-Olitorius is believed to have originated in Africa, but Chorchorous-Capsularis is not found in Africa. It seems to have originated in Indo-Burma.<sup>1</sup>

Jute is a seasonal crop which is cultivated once in a year. In India, jute grows in the eastern and north-eastern

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1. Thakur, D.C.: Scientific Crop Production, Vol. 2, Metropolitan Book Co. Ltd., New Delhi-1986; p-65.

states mainly in West-Bengal, Assam, Bihar, Orissa, Meghalaya, Tripura and Uttar Pradesh. But the cultivation of the plant is confined to the Ganges-Brahmaputra delta in Bengal and Assam, Bihar and Orissa, where the soil is enriched by alluvial deposits brought by river inundation favouring the growth of this exhaustive crop without any expenditure on manure. Jute is sown from March to May and it grows to a height 10-12 feet. The harvesting period begins in July and extends to September. In West-Bengal sowing is done in April and May and harvesting from mid-August to September. In Bihar and Assam, the time of sowing is March-April while in Orissa, it is May to June.

Mesta, a very close substitute fibre of jute, received a great impetus after the partition as the bulk of jute growing areas went to Bangladesh (formerly East Pakistan), hence shortage of raw jute. Mesta fibre is largely produced in Andhra Pradesh, besides in many other states like Orissa, West-Bengal, Bihar and Maharashtra. The crop is known in different parts of India by different names such as Ambadi in Maharashtra, Bimlipattam in Andhra Pradesh, Deccan in Hyderabad, Pusa-hemp in Bihar and Mesta in Bengal.

Mesta can be cultivated in thrive areas which are not quite suitable for jute crop. Like jute, it grows to a height of 8 to 12 feet and retted to separate the fibre. Although Mesta is inferior to jute in respect of strength and fineness yet it is being used with jute in India for the production of hessian and gunnies.<sup>1</sup>

Social history reveals that, during ancient times, jute was used as a stuff for making clothes and its main users were the Brahmins who employed jute garments as 'Patta Bashtra'<sup>2</sup> for certain religious rites. The export trade of raw jute is known to have existed since 1791 by the attempts made by East India Company for the manufacture of cordage and ropes, etc. but its actual importance was realized at first in 1838 when the regular export of raw jute to Dundee began because the Crimean war. Dundee was unable to obtain its Russian supplies of raw flax and hemp, and Indian jute supplied this gap.<sup>3</sup> Moreover, as a consequence of Crimean

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1. Gupta, Das. A.: Economic & Commercial Geography: A Mukherjee & Co, Pvt.Ltd., Calcutta-1986; p-65.

2. In sanskrit the jute is called 'Patta'

3. Anstey Vera: The Economic Development in India: Longmans' Green & Co., London-1957; p-279.

war and American Civil War, Indian jute exports grew rapidly to the European Markets. During the first half of 19th century, specially till 1830, a small quantity of raw jute had been used by Bengal handloom weavers for manufacturing gunny bags and jute cloth as it was the monopoly of Bengal handloom weaver. After this, active and dynamic industry for jute manufacturing had sprung up at Dundee: It was also noticed that export of raw jute to overseas was for more profitably than compared to produce gunnies on the local handlooms. Thus, the year 1830 saw a decline in jute handloom industry of Bengal.<sup>1</sup> But during the later part of the 19th century, its commercial use increased in making cord, twine rope mattings or even coarse clothing for domestic consumption. At the same time hand-made gunny bags and cloth became important in overseas markets. This phenomenal rise of jute and jute goods exports increased the importance of the weed as a valuable commodity in the world market.

Indeed, the year 1855 may be regarded as the watershed in the history of jute industry due to large scale

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1. Gadgil, D.R.: The Industrial Evolution of India in Recent Times (1860-1939)-Oxford University Press, Delhi-1988; p-5.

production. During the year, the first jute mill was set up by Mr. George Aucland, an Englishman, at Rishra near Serampore (West-Bengal), where all the circumstances were favourable to its establishment. Besides local raw materials, coal for power was obtainable from the coal-fields of West-Bengal. Indigenous labour was also available in plenty as Serampore was a noted centre of native industry in hand-spun jute. But for the machinery, technical knowledge and skilled labour the industry was dependent on Lancashire in the early period of its growth. So the Calcutta jute industry was dependent on Dundee.<sup>1</sup>

Thereafter, the first power-loom was established in 1859 at Baranagar (Just outside Calcutta) and in the sixties a number of new mills were started.<sup>2</sup> Also in 1859 the mill started both spinning and power weaving. Some more mills were set up in 1862 and in 1866 by the Calcutta partners of British Grading Concern. Between 1858-73 these mills, except Aucland's earned huge profits. It was said that the mills

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1. Memoria, C.B.: Organisation and Financing of Industries in India, Kitab Mahal, Allahabad, 1959; p-197.
  2. Wallace, D.R.: The Romance of Jute' Quoted in the Economic Development in India-Vera Anstey; p.279.



'simply coined money' and paid dividends ranging from 15 per cent to 25 per cent. This led to the establishment of a large number of new mills. Five mills were set up in 1874 with a total loom strength of 1250.<sup>1</sup> At first the gunny cloth produced was inferior in quality to that of Dundee, and commanded only a local market. For instance, in Burma, at the beginning of seventies, there was great jute boom; newer companies were rapidly launched. Consequently, the export of manufactured goods increased rapidly. The quality of jute goods also improved enough to compete with those of Dundee. As a result, export of jute manufactures increased comparatively to raw jute. In 1882, in India there were twenty (20) jute mills which employed nearly 20,000 workers. Out of these 18 mills were in Bengal including 17 in the immediate vicinity of Calcutta.<sup>2</sup>

Thereafter the sign of excessive competition emerged from outside which led to the formation of Indian Jute Mills

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1. Memoria, C.B.: Organisation and Financing of Industries in India, Kitab Mahal, Allahabad, 1971; p-417.

2. Gadgil, D.R. : Op. cit; p-58.

Association (IJMA) in 1884. The main function of which was to regulate and control the trade. By the end of the century, India had 29 jute mills of which 26 were located in the Calcutta area. There were 1500 looms employing one lakh workers of which 43 per cent were engaged in manufacturing sacking. In 1900, India was able to export jute goods worth Rs. 7 crore, as compared to about Rs. 2.43 crore two decades ago.<sup>1</sup> Jute mills registered rapid progress during the beginning of the century and by 1908; the output of Indian Jute Mills surpassed that of Dundee. The Unit realisation substantially improved due to higher prices of the jute manufactures. The industry was financially sound till 1914.<sup>2</sup>

During the first world war, the demand for sand bags, hessian and other varieties of jute products increased extensively and the jute mills could earn huge profits which were calculated to be 58 per cent in 1915-75 per cent in 1916, 49 per cent in 1918.<sup>3</sup> This is accounted for by the stable price of raw jute and wage bill. Besides the exports of raw jute

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1. Memoria, C.B.: Op. cit. p-199

2. Anstey Vera: Op. cit; p-280

3. Ibid

were also prohibited. This trend of profit-earning of the jute industry was well maintained despite the strikes, etc. until the crisis of the 'thirties' when in 1930-31 the aggregate value of Bengal jute crop was not more than one fifth of what it had been in 1926. It led to decline in the production of jute goods as well as in exports of jute goods. The number of jute mills increased from 76 in 1918-19 to 110 in 1939-40 as revealed by Table No.1.

During the second world war, once again the foreign demand of jute goods increased sharply from 90,700 tonnes in September 1939 to 1,25,000 tonnes in March 1940. The number of jute mills increased from 107 in 1938-39 to 111 in 1945-46; looms from 67,939 to 68,388 and spindles from 1,350,465 to 1,444,863.<sup>1</sup> During the war period, the jute mills flourished exceedingly in all directions as a result of enhanced war demands. The prosperity of Indian jute industry continued during the post-war period. It enjoyed a virtual monopoly in the domestic as well as in world market.

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1. Memoria, C.B.: Organisation and Financing of Industries in India, Kitab Mahal, Allahabad, 1982, p. 794.

TABLE No.1  
INDIAN JUTE MILLS

Year	Number of Mills	No. of Looms
1859	--	192
1969	--	950
1974	5	1,250
1882	20	N.A.
1900	29	1,500
1909	38	30,685
1914-15	64	N.A.
1918-19	76	40,043
1920	--	40,477
1923-24	89	49,038
1927	--	50,354
1927-28	93	52,221
1929-30	98	53,900
1930	--	58,639
1930-31	100	61,387
1935-36	104	63,724
1938-39	107	67,900
1939-40	110	N.A.
1945-46	111	68,388

Compiled from: Chatsilpa, 1972 & National Commission of Labour 1968; Spotlight on Jute; India Book Exchange Calcutta; 1977; p-3; Statistical Abstract of British India 'The Industrial Evolution of India in Recent Times', Oxford University Press, Delhi-1988; p-270.

In 1947, the partition of the country was the most outstanding event in the history of Indian jute industry when the jute mills remained in India and nearly 80 per cent of jute growing areas went to Bangladesh (formerly East Pakistan). Moreover, the raw jute produced in Bangladesh was superior in quality. The resulting dislocation in the structure of the industry and competition from outside have been responsible for limited growth of the industry during the post-independence period.<sup>1</sup> Therefore, the post-independence period was replete with such important factors that severely hampered the growth of Indian jute industry.

As a consequence of the partition, India became deficient in the availability of raw jute. The yield of crop was only 16.58 lakh bales, whereas the requirement of industry was over 50 lakh bales.<sup>2</sup> Also the price went up from Rs. 16/- per md. in 1945-46 to Rs. 29-14 as in 1946-47 and Rs. 42.50 as in 1948-49. The jute, whose most endearing quality of manufacture was that it was cheap, was becoming dearer.<sup>3</sup>

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1. Memoria, C.B.: Op. cit. 1982; p-795

2. Kotharis' Industrial Director of India-1988; p- 143.

3. Spotlight on Jute Published on behalf of Indian Institute for Regional Development studies, Kottayam, Kerala; India Book Exchange, New Delhi-1959; p-8.

The rise in the cost of raw jute coupled with the trade dead-lock with Pakistan created a critical situation in the jute industry. Later on, a wide-spread 'Grow More Jute' drive was undertaken by the Government in the post partition years and some spectacular progress in acreage and output was achieved.<sup>1</sup> The Indian Central Jute Committee was formed which prepared plans for increasing the production of raw jute in the country and finally a plan was prepared to attain self-sufficiency in raw jute by 1952.

#### LOCATION PATTERN OF JUTE TEXTILE MILLS

The major raw material or pure material for jute industry is the raw jute or Mesta, both of which require suitable soil and ideal climate for proper cultivation. The North-Eastern part of the country (particularly West Bengal) because of its soil character enjoys a natural advantage for growing jute.

The bulky raw materials which was not easily transported made it obligatory to shift the site towards the source

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1. Sengupta, P.: The Indian Jute Belt-Orient Longmans, New Delhi-1959; p-134.

of raw material. Raw jute and mesta possessed heavy weight. Transportation over a long distance would increase the cost of production. The establishment of jute textile mills started in West Bengal which enjoys ideal soil and climate for the production of raw jute. The overwhelming concentration of mills in West Bengal was facilitated by a combination of natural factors, besides being the main source of raw materials. Both banks of Hooghly, upstream and downstream, offered ideal location for the jute industry. Jute growing is labour intensive industry. Eastern India was suitable for the industry due to cheap agricultural labour and skilled labour which was abundantly available in and around Calcutta.

Power which is indispensable to industry is an obviously significant factor in the location of jute industry in the proximity of Calcutta. \* Bihar with their coal belt, assured sufficient supply of coal to jute mills, a ready reserve of textile workers.<sup>1</sup> The Raniganj and Asansol coal fields are very near to the site as the distance of these coal belts from Calcutta is nearly 180 km. and they lie within easy

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1. Sadhu & Singh: Industrial Economics; Himalaya Publishing House, Delhi; 1988, page 71.

reach of the jute mills. In West-Bengal the jute mills are located in Calcutta, Bally, Agarpara, Rishra, Serampore, Shamnagar, Kankinara, Hoogly, Banberia, Uluberia and Budge-Budge.

Such locational advantages inspired Scotsmen to invest their money in the industry. The concentration of jute industry in-and-around Calcutta has been due to availability of British enterprise and capital. The developed banking system <sup>requirements</sup> existed in Calcutta to fulfil the credit <sup>of</sup> jute mills. The Calcutta possessed the marketing facilities for raw jute and jute goods. And, due to the port facilities, this place became the centre of jute exports. Also, Calcutta port makes the industry assured of supplies of imported machinery for the jute textile mills. Calcutta possessed all the fundamental factors required for the industrial location of jute textile units. The West Bengal jute mills acquired bigger size as compared to those outside the state due to the locational advantages.

In the recent past, the dispersal of jute textile mills took place in U.P., Bihar and M.P. as a result of the increasing demands for jute bags with the fast development



of sugar industry, cement industry and fertilizer industry in those states as well as the high yield of foodgrains. Secondly, the availability of local fibres like Mesta and Bimlipattam jute in the states of Andhra Pradesh, Bihar and U.P. are also responsible for the dispersal of jute textile units. Under this category, the jute mills are located in Andhra Pradesh at Chitavalsah and Nellimarla. In Uttar Pradesh Kanpur and Sahjanwa have jute mills.

#### PRESENT STATE OF JUTE TEXTILE INDUSTRY

Jute industry in India occupies an important position in the national economy. It is a well-organised major industry of the country. It is an age-old, traditional agro-based industry and has got a position next to cotton textile industry in which a capital of around Rs. 3000 crore is invested. The heavy capital investment in the industry as well as its position as valuable exchange earner gives it an exalted place in the economic framework of the country.<sup>1</sup> Jute and its various products earn huge amount of foreign exchange. The jute industry, known for 'golden fibre', which had a monopolistic position in the world market is losing its share due to

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1. Sadhu and Singh: Op. Cit, 1988; p-284

technological changes and inroads of synthetics and other alternative products. It now appears to be in doldrums for some years, specially since seventies. The exports of Indian jute manufactures declined as a whole by an annual compound growth rate of about 3.5 per cent. There has been sharp decline in the exports of carpet backing and sacking.<sup>1</sup> Moreover, India's export earnings from the jute constituted an average of 2.38 per cent<sup>2</sup> of total export earnings. It contributed about Rs. 100 crore to the exchequer.<sup>3</sup>

Jute industry employs nearly 2.5 lakh workers which is almost 9 per cent of the country's total organised labour force, and over 40 lakh peasants are engaged in the cultivation of jute.<sup>4</sup> Ancillary activities account for 17 lakh more of the workers.<sup>5</sup> The current maximum wage per worker in jute mills is Rs. 1282.50 per month. The direct wage bill of the jute industry exceed Rs. 300 crore a year.<sup>6</sup>

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1. Roy Durgadas, : Problems & Prospects of Jute Industry.  
The Economic Times; April 23, 1988; p-5
  2. Calculated by Author from the Table No. 20 (Chapter II)
  3. Industrial Economics-Sadhu & Singh; p-284.
  4. The Economic Times; April 23, 1988; p-5.
  5. The Hindu Survey of Indian Agriculture: 1988; p-101.
  6. Industrial Economics-Sadhu & Singh; p-284.

The average land under the jute cultivation has reached 915 thousand hectares<sup>1</sup> since the incentives given by the Government of India for more cultivation of jute in the state the productivity per hectare has gone up by 8 bales per hectare as compared to the pre-partition period. West Bengal, Bihar and Assam are the major jute producing states which account for more than 90 per cent of total raw jute output. The production of jute fibres for this industry generated a rural income of the order of Rs. 300-350 crore of which more than 50 per cent is accounted for by the farm wages.<sup>2</sup> India at present happens to be the largest producer of raw jute in the world. Its share is near about 40 per cent of total world production. In spite of the negative growth rates in many jute producing countries, India registered 1.3 per cent of growth per annum.<sup>3</sup> The expansion of jute acreage combined with the scarcity of good land created a mix of production in which the proportion of low quality jute variety (presently about 60 per cent) increased over the period.<sup>4</sup> Yet the jute produced in

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1. Indian Jute Vol. III, No.4; A JMDC Bulletin Calcutta, Nov 1989, p-18.
  2. Sadhu and Singh: Op. cit, 1988; p-284.
  3. Indian Economic Diary: January 22-28, 1987; p-11051.
  4. Moulik T.K., Shukla R.R., and Verma J.R.: 'The Jute Industry' The Economic Times, July 9, 1990; p-7.

the country is insufficient to fully meet the requirements of the jute manufacturing industry in India. The raw jute produced in the country is inferior to the Bangladesh jute.

Due to shortage of raw material, curtailment of foreign demands and obsolescence of machinery a number of mills had to be closed down after the independence and now there are only 69 jute mills in the country concentrated in the Eastern part of the country. Out of 69 existing units, 56 units are located in the West-Bengal in which 52 units are located on the banks of Hoogly river, 4 units in Andhra Pradesh, 3 units each in U.P. and Bihar, and one each in Assam, M.P. and Orissa, as revealed by the Table No.2.

The National Jute Manufacturing Corporation (NJMC) heralded entry of jute industry into public sector in June 1980 by nationalising 6 sick jute mills. The five out of six public jute mills are located in West-Bengal alone. These are, National Jute Co. Ltd. Winnison Jute Mills Ltd., Union Jute Mills Ltd.; Kardah Jute Co. Ltd.

TABLE NO.2NUMBER OF JUTE MILLS IN RESPECTIVE STATES

States	Total No. of Units	No. of Public Units	No. of Private Units
West-Bengal	56	5	51
Andhra Pradesh	4	-	4
Uttar Pradesh	3	-	3
Bihar	3	1	2
Assam	1	-	1
Madhya Pradesh	1	-	1
Orissa	1	-	1

Source: Compiled from Economic Intelligence Service  
Nov. 1986, Published by Centre for Monitoring  
Indian Economy, Bombay, and few other sources.

Union Jute Mills Ltd.; Kardah Jute Co. Ltd. and Alexandar Jute Mills Ltd. The sixth public unit RBHM Jute Mills Ltd. is located at Katihar in Bihar. Prior to nationalisation, these jute mills were sick units. By a series of renovation

undertaken by the Government the capacity utilisation improved from 63 to 78 per cent<sup>1</sup> These 6 public jute mills account for 10 per cent of total production capacity of the jute industry. The corporation has undertaken the modernisation of 5 more units and the programme is likely to be completed soon.

There are about 43,254 installed looms in jute mills except 42 automatic looms in 100 per cent export oriented units. In jute mills the loomage proportion is 56 per cent of hessian, 37 per cent sacking, 5 per cent carpet-backing clothes and 1.13 per cent specialities and other goods. The industry has total 6,31,031 of installed spindles in jute mills.

Presently, there are 63 jute mills in operation with installed capacity to produce 15 lakh tonnes of jute goods per annum. It does not compare with total demand of 13-15 lakh tonne including 2.49 lakh tonnes for exports.<sup>2</sup>

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1. The Economic Intelligence Service, Nov. 1986, Centre for Monitoring Indian Economy, Bombay; p-69.

2. Financial Express; March 14, 1990; p-3.

Among the 69 jute mills, 43 jute mills (as at the end of June 1986) are presently identified as sick units.<sup>1</sup> The very fact that now jute textile industry is operating its units due to the compulsion of Trade Unions and Government each unit suffers a loss of Rs. 20 lakh per month. As a consequence of the fast development of many substitutes, it has depress the prices of jute products in the markets.<sup>2</sup> Many of the jute mills are now managing their losses by reducing the wages of workers and volume of jute manufactures. The National Jute Manufactures Corporation Ltd. (NJMC) could not escape from the prevailing trend of loss as it has incurred a total loss of around Rs. 45 crore during 1989.<sup>3</sup>

Now the average export of jute goods is 249 thousand tonnes which yields a foreign exchange of Rs. 2343 million per annum. Out of 69 jute mills, 4 units are 100 per cent export oriented with 29,273 tonnes of installed

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1. India Economic Information Year Book, 1988-89; p-121

2. The Economic Times, June 26, 1989; p-4.

3. Financial Express: March 30, 1989; p-7.

capacity per annum. These units possess 42 automatic looms for producing broadly high quality yarn/twine, jute decorative fabrics and fine hessian cloth.

India is exporting jute goods to 120 countries. The market has been diversified to increase exports. Now the U.S.S.R. and European countries are the main importers of India jute products, besides U.S.A. which was the chief consumer of Indian jute goods in 1980s. Table No.3 reveals the position of current jute exports to the major countries. As evident from table No.3, U.S.S.R. is the major importer; it imported 89.8 million tonnes with a value of Rs. 95.03 crore during 1988-89.

At present, 2/3rd of the production of jute goods is consumed internally. The average domestic demand for the jute goods is 1,066 thousand tonnes per annum. The pattern of internal consumption made upward swing from 116 thousand tonnes in 1950-51 to 1148.5 thousand tonnes in 1988-89 and only 1/3rd of jute manufactures is exported.<sup>1</sup>

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1. Commerce: October 4-10, 1986; p-664.



TABLE NO.3MAJOR IMPORTERS OF INDIAN JUTE GOODS IN 1988-89

Country	Quantity Million tonnes	Value in Rs. (crore)
U.S.S.R.	89.8	95.03
U.S.A.	25.4	27.09
U.K.	20.7	24.10
Japan	8.8	10.29
Australia	5.2	5.57
Are	2.1	1.97
New Zealand	1.6	1.61

Source: Indian Jute, Vol. III, No.4, A JMDC Bulletin  
Calcutta, Nov. 1989; p-8.

In domestic market, the jute products especially the packaging goods are facing stiff competition with synthetic substitutes which have lower cost than the jute products. It may be mentioned here that in recent years, the jute industry has been facing a serious challenge in

its traditional market of packaging materials from various synthetic substitutes both in domestic as well as export markets. Though some measures have been taken to change the composition and product-mix of jute products to compete with synthetics. For instance, the jute packaging Act, 1987, allows to mix 25 per cent synthetic material with jute so that the cost of jute manufactures could be brought down. Therefore it has become competitive with synthetics. These measures led to slight increase in the domestic consumption.

The Research and Development activities in this sector have also changed the character of jute product mix, diversification of product range, improvement in the quality of products, lower cost and development of new products. In recent past the jute manufacturing sector has started producing enormously diversified jute items such as blankets, jute felt, jute matting as well as bleached and dyed fabrics, garments and many other decorative items like curtains, wall-coverings, jute floor-coverings, table cloth, etc. The total diversified jute goods at the end of seventh plan is 42,000 tonnes out of total production of jute goods of 13.87 lakh tonnes, i.e., approximately 3 per cent of the total jute goods manufactured. Therefore, 3 per cent diversification in

itself is a proof that there is an ample scope for diversification and expansion of this industry. Plans have been drawn up to step up production to 1.5 lakh tonne envisaging a three-fold increase in 1990-91.<sup>1</sup>

However, the fact should not be lost sight of that diversification can be hardly expected to reverse declining trend in demand for traditional use of jute in packaging in the short-run. Moreover, if carefully planned and promoted, the diversification of jute product-mix would certainly minimise the declining trends by widening the demand base both in the domestic as well as in the world market.<sup>2</sup> The Jute Manufactures Development Council (JMDC) is organising exhibition-cum-sales campaign in some major cities to display the diversified and decorative items in a bid to boost jute marketing which is fast lagging behind because of the advent of new synthetic substitutes of jute.

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1. The Economic Times, April 7, 1990; p-5.

2. Maulik T.K.; Shukla P.R.; Verma J.R.: "The Jute Industry" The Economic Times, July 9, 1990; p-7.

## CHAPTER - II

### GROWTH PATTERN OF JUTE TEXTILE INDUSTRY

## CHAPTER-II

### GROWTH PATTERN OF JUTE TEXTILE INDUSTRY

Jute Industry Primarily owes its Growth, to availability of Raw Jute, Labour, Capital, Marketing facilities and infrastructure

#### 1. PATTERN OF AGRICULTURAL DEVELOPMENT

##### (a) NATURE AND CONDITIONS OF JUTE CULTIVATION

Jute is essentially a tropical plant. Necessary conditions for its cultivation are: (i) high temperature between 75°F to 80°F during the period of growth, (ii) heavy rainfall about 200 cms. and its distribution over the period of growth, (iii) an ample supply of water for soaking the plant and washing the stripped fibre, (iv) sufficient supply of cheap skilled as well as unskilled labour is necessary for ploughing, harvesting, retting and supporting the fibre from stalk at proper time, (v) suitable soil which is mainly of three types: (a) rich sandy loams of high lands, (b) churlands i.e. alluvial soil which is available at banks of rivers and which is flooded during rainy season, (c) low lying lands on the sides of deltas of the rivers.

The most suitable soil for jute cultivation is obtained in deltas and flooded plains where the soil fertility is replenished every year by natural process.

Jute in India and abroad is considered a commercial crop. Raw jute is the chief raw material for the jute textile industry. India is the largest producer of raw jute and jute like fibres which comprise nearly 40 per cent of total world production. In 1988, the total production was 1540.16 M.T. out of 3286 M.T. of world production.<sup>1</sup> Besides, India, Bangladesh, China, Thailand, Nepal, Brazil, etc. are the main growers of jute and jute like fibres.

In India jute grows mainly in the Eastern and North-Eastern states. viz. in West-Bengal, Assam, Bihar, Orissa, Tripura and Meghalaya; the first three among these states are the major producer, of raw jute in the country. Mesta, a very close substitute fibre of raw jute, is grown in Andhra Pradesh, Orissa, West-Bengal, Bihar, Maharashtra, Tripura, Assam, Karnataka and among these states Andhra Pradesh accounts for the largest share of Mesta output.

It has already been mentioned in Chapter-I that, as a consequence of partition of the country in 1947, nearly 80 percent jute growing areas went to Bangladesh and India became deficient of raw jute. Afterwards, efforts were made to improve the productivity, acreage and production of raw jute during the past years. Now the average land area under

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1. F.A.O. Report, 1989; Volume 42; page-235

raw jute cultivation is 915 thousand hectares and average yield of raw jute is 7346 thousand bales.<sup>1</sup>

#### GROWTH PATTERN OF RAW JUTE AND MESTA

The table No. 4 reveals that the area under the jute cultivation has increased from 571 thousand hectares in 1950-51 to 680 thousand hectares in 1988-89. Also in the same period, the production of raw jute registered more than two-fold increase from 3308 thousand bales in 1950-51 to 6656 thousand bales in 1988-89 showing an annual compound growth rate of 1.21 per cent while the annual compound growth rate of acreage comes in negative terms (i.e. -0.149) as shown in table No. 5. It is due to fluctuations in cultivated area from year to year. The table No.5 also reveals that the productivity has improved as compared to acreage. It registered an annual compound growth rate of 1.4 per cent which increased from 5.79 bales/hectare in 1950-51 to 9.8 bales per hectare in 1988-89. During this period (1950-51 to 1988-89) the production of mesta remained unchanged as it varies from 1162 thousand bales to 1181 thousand bales showing -0.584 per cent annual compound growth rate as

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1. Indian Jute, Vol. III, No.4, A Bulletin of Jute Manufactures Development Council, Calcutta, Nov. 1989; p-18.

TABLE NO.4

TRENDS IN PRODUCTION AND AREA UNDER CULTIVATION OF  
JUTE BETWEEN 1950-51 TO 1988-89

( 1 Bale = 180 Kg.)

Year	Area in hectare ( '000)	Produc- tion in bales (000)	Producti- vity Bales/ hectare	Index of production
1	2	3	4	5
1950-51	571	3308	5.79	100.0
1955-56	704	4230	6.00	127.8
1960-61	612	4013	6.55	121.3
1965-66	753	4464	5.92	134.9
1970-71	749	4938	6.59	149.2
1975-76	585	4440	7.59	134.2
1976-77	737	5353	7.26	161.8
1977-78	797	5361	6.72	162.0
1978-79	884	6470	7.32	195.5
1979-80	834	6072	7.28	183.5
1980-81	941	6508	6.92	196.7
1981-82	826	6788	8.22	205.2
1982-83	737	5957	8.08	180.0
1983-84	741	6057	8.17	183.1
1984-85	830	6506	7.83	196.6
1985-86	1150	10952	9.52	331.0
1986-87	803	7353	9.2	222.2
1987-88	698	5800	8.3	175.3
1988-89	680	6656	9.8	201.2

Source: Compiled from Kothari's Industrial Directory of India, 1989; p-1245; Economic Survey 1989 and Indian Jute; A Bulletin of JMDC Calcutta, Vol.III, No.4, Nov.1989, p-1



shown in table No.6. Also the acreage marked no hike in this interval showing a -0.776 per cent annual compound growth rate and varies from 231 thousand hectares as in 1955-56 to 223 thousand hectares in 1988-89. Moreover, the productivity of mesta has registered no more improvement except 0.0761 per cent annual compound growth rate which is far behind the productivity of raw jute. The table No.4 reveals that the production of raw jute in 1950-51 was 3308 thousand bales and after a gap of five years it increased to 4230 thousand bales in 1955-56 marking sufficient increase of 27 per cent in the production of raw jute. In the same year 1955-56 the total production of jute and mesta rose to 5394 thousand bales, in which mesta contributed 1164 thousand bales alone. To overcome the scarcity of raw jute as an impact of partition, India imported 4536 thousand bales in 1955-56<sup>1</sup> to meet its industrial requirements. The annual compound growth rate of acreage, production and productivity are 4.27, 5.04 and 0.71 per cent respectively during 1950-51 to 1955-56. But in 1960-61, the output of raw jute declined slightly to 4013 thousand bales due to less acreage of 612 thousand bales, Productivity registered the hike by 9 per cent in 1955-56. The annual compound growth (during 1955-56 to 1960-61) of acreage, production and productivity comes to -2.76 per cent, -1.04 per cent and 1.76 per cent. While the

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1. Kothari's Economies and Industrial Guide, 1977; p-1264.

production of mesta (during 1955-56 to 1960-61) declined to 1137 thousand bales from 1164 thousand bales as in 1955-56. The annual compound growth rate during the said interval of acreage production and productivity are 3.77, -0.46 and -4.05 per cent respectively. The decline in the production of raw jute and mesta was due to unfavourable monsoon.

In 1965-66, raw jute production registered further growth by producing 4464 thousand bales and also the production of mesta increased to 1286 thousand bales in 1965-66. The rise in the production of raw jute and mesta was caused by increasing the cultivated area. The total production of raw jute and mesta moved upto 5750 thousand bales. The productivity of jute and mesta had declined which may be observed from table Nos. 5 & 6 showing a negative productivity both for jute and mesta.

Thereafter further increase has been observed in terms of production and productivity. In 1970-71 the cultivated area declined slightly to 749 thousand hectares while the production of raw jute increased to 4938 thousand bales. This rise in the production coupled with improvement in the jute quality. It was due to the fact that more emphasis was given

in Third Plan (1961-66) for better retting tanks and supply of improved quality of seeds. The compound growth rate of acreage, production and productivity were observed as 2.03, 2.29 and 0.27 during 1949-50 to 1968-69.<sup>1</sup> Contrary to the annual compound growth rate of acreage, production and productivity during (1965-66 to 1970-71) were -0.106, 2.03 and 2.16 per cents respectively. The total production of jute and mesta was recorded 6193 thousand bales in 1970-71 which was more than 7.7 per cent against its previous (i.e. 1965-66) output. Mesta has shown a slight decline in the production, showing -0.48 per cent per annum of compound growth rate. Thereafter a decline in the production and acreage of raw jute was observed in 1975-76 by 10.08 and 27.8 per cent respectively against 1970-71, while the annual compound growth rate is -4.82 for acreage and -2.10 for production. While the productivity of raw jute has improved revealing 2.68 per cent annual compound growth rate. During the same period the production and productivity of mesta increased by the annual compound growth rate of 3.26 per cent and 3.46 per cent respectively.

Subsequent to this period the growth of raw jute production marked further hike. The compound growth rate of

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1. Lekhi, R.K., Agricultural Development in India. Classical Publishing, New Delhi, 1988; p-268.

acreage, production and productivity for jute were observed as 9.97 per cent, 7.94 per cent and -1.83 per cent respectively during the period of 1975-76 to 1980-81. The mesta production has also increased making positive growth rates for acreage production and productivity as 1.69 per cent, 2.3 per cent and 0.44 per cent respectively during the same interval. The total production of jute and mesta reached to 8333 thousand bales, an increase by more than 16 per cent to its previous outlets.

TABLE NO.5

ANNUAL COMPOUND GROWTH RATE OF RAW JUTE PRODUCTION (PER CENT  
(PER ANNUM)

Period	Acreage	Production	Productivity
1950-51 to 1955-56	4.27	5.04	0.71
1955-56 to 1960-61	-2.76	-1.04	1.76
1960-61 to 1965-66	4.23	2.15	-2.0
1965-66 to 1970-71	-0.10	2.03	2.16
1970-71 to 1975-76	-4.82	-2.10	2.86
1975-76 to 1980-81	9.97	7.94	-1.83
1980-81 to 1985-86	4.09	10.97	6.58
1985-86 to 1988-89	-16.06	-15.29	0.97
Total ACGR	-1.19	9.7	11.21
Average ACGR	-0.14	1.21	1.40

Source: Calculated by the author on the basis of table No.4

Thereafter a declining phase in production was observed for the jute and mesta during 1982-83 and 1983-84 due to unfavourable monsoon which was followed by the decline in acreage but the productivity remained close to its previous figure. In 1982-83 and 1983-84 the production of raw jute fell to 5957 thousand bales and 6057 thousand bales which was less than 12 per cent and 10 per cent respectively to the production of 1981-82. The decline is also observed in mesta as during 1982-83 and 1983-84 the production of mesta declined to 1225 thousand bales and 1399 thousand bales which was less than 25.8 per cent and 15.31 per cent respectively to the production of mesta in 1980-81. In 1985-86 the production of raw jute and mesta was a land mark as during the year the production of raw jute and mesta was 10952 thousand bales and 1761 thousand bales respectively. The annual compound growth rate of acreage, production and productivity of raw jute were 4.09 per cent, 10.97 per cent and 6.58 per cent respectively during 1980-81 to 1985-86. While for the mesta the annual compound growth rate of acreage, production and productivity were -0.62 per cent, 1.28 per cent and 2.08 per cent respectively.

Thereafter due to drought in 1987-88 the unfavourable monsoon led to decline in the production of raw jute as in

TABLE NO. 6

ANNUAL COMPOUND GROWTH RATE OF MESTA AND JUTE  
& MESTA (PERCENT PER ANNUM)

	<u>M E S T A</u>			<u>TOTAL JUTE &amp; MESTA</u>		
	<u>Per cent per annum</u>			<u>Per cent per annum</u>		
	<u>Area</u>	<u>Produc- tion</u>	<u>Produc- tivity</u>	<u>Area</u>	<u>Produc- tion</u>	<u>Product- ivity</u>
1950-51 to 1955-56	--	0.03	--	--	3.82	--
1955-56 to 1960-61	3.77	-0.46	-4.05	-0.98	-0.92	0.42
1960-61 to 1965-66	3.92	1.88	-1.32	4.13	2.22	-1.83
1965-66 to 1970-71	-0.41	-0.48	0.0	-0.20	1.49	0.33
1970-71 to 1975-76	0.0	3.26	3.43	-3.24	-0.91	2.42
1975-76 to 1980-81	1.69	2.30	0.44	7.27	6.65	-0.59
1980-81 to 1985-86	-0.62	1.28	2.08	2.87	9.27	6.22
1985-86 to 1988-89	-13.78	-12.48	0.0	-16.21	-16.66	-0.51
Total ACGR	-5.43	-4.67	0.53	-6.34	4.97	6.46
Average ACGR	-0.77	-0.58	0.07	-0.90	0.62	0.92

Source: Calculated by the author on the basis of table No.7

that year the production of raw jute was 5800 thousand bales, the production of mesta also declined to 982 thousand bales in 1987-88. In 1988-89 the monsoon has been normal and because of this the production of raw jute has increased slightly to 6566 thousand bales. The production of mesta has also improved to 1242 thousand bales in 1988-89. The annual compound growth rate of acreage, production and productivity for jute were -16.06 per cent, -15.29 per cent and 0.97 per cent during 1985-86 and 1988-89. The annual compound growth rate for mesta was -5.43 per cent in acreage, -4.67 per cent in production and 0.07 per cent for productivity.

During 1950-51 and 1988-89 productivity of raw jute increased from 5.79 bales per hectares to 9.8 bales. In the same period the cultivated area tended to fluctuate more erratically from year to year whereas the production went on increasing since 1950-51. The table No. 4 shows that inspite of fluctuations in acreage, the production and productivity were increasing, showing less instability as compared to acreage. Production and productivity trends between 1950-51 and 1988-89 are quite encouraging, considering that there has been no appreciable change in the total area over this period. It shows the highest growth both in production and productivity

TABLE NO. 7

Area = '000 HA  
 Production = '000 Bales  
 Productivity = Bales/HA

Year	Area	MESTA		Area	JUTE & MESTA		Index of Production
		Produ- ction	Produ- ctivity		Prod- uction	Produc- tivity	
1	2	3	4	5	6	7	8
1950-51	--	1162	--	--	4470	--	100
1955-56	231	1164	5.03	935	5394	5.66	120.6
1960-61	278	1137	4.08	890	5150	5.78	115.2
1965-66	337	1286	3.81	1090	5750	5.27	128.6
1970-71	330	1255	3.8	1079	6193	5.73	138.5
1975-76	330	1474	4.5	915	5914	6.46	132.3
1976-77	349	1738	5.0	1086	7091	6.52	158.6
1977-78	360	1780	4.9	1157	7141	6.17	159.7
1978-79	380	1863	4.9	1264	8333	6.59	186.4
1979-80	383	1890	4.9	1217	7962	6.54	178.1
1980-81	359	1652	4.6	1300	8160	6.27	182.5
1981-82	324	1583	4.9	1150	8371	7.27	187.2
1982-83	286	1225	4.3	1023	7182	7.02	160.6
1983-84	294	1399	4.8	1035	7456	7.20	166.8
1984-85	296	1256	4.2	1126	7762	6.89	173.6
1985-86	348	1761	5.1	1498	12713	8.48	284.4
1986-87	265	1273	4.8	1068	8626	8.07	192.9
1987-88	262	982	3.7	960	6782	7.06	151.7
1988-89	223	1242	5.6	903	7898	8.74	176.6

Source: Compiled from Statistical Abstract of India, 1987, Central Statistical Organisation, New Delhi, page-49 & 52 & Economic Survey-1989 & Indian Jute: A Bulletin of Jute Manufactures Development Council, Calcutta, Nov. 1989, p-1.



while of Mesta production and acreage had a negative growth except having a 0.07 per cent of growth in productivity as shown in table No. 6.

The foregoing analysis reveals that the rate of increase in the production of raw jute is higher than the rate of increase in the area under cultivation. During this period productivity has been increased by improving the cropping pattern and by using high quality of seeds and fertilizers. As the rate of increase in the area is less than the rate of increase in production, It is evident that the increase in the production is mainly through enhanced productivity.<sup>1</sup> So, the jute production during this period has improved both qualitatively as well as quantitatively.

#### GROWTH PATTERN OF RAW JUTE IN MAJOR JUTE PRODUCING STATES

It has been mentioned earlier that in India the three states are the major producers of raw jute viz. West-Bengal, Bihar and Assam. All these states account for nearly 90 per cent of total raw jute production in the country. The table No. 8 reveals the production trend of raw jute in the three major producing states in which West-Bengal is the largest producer of raw jute. The table also shows that the share of raw jute in West-Bengal has significant rise as compared to

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1. International Industries Annual, 1979; p-49.

Bihar and Orissa. Table No. 9 shows an annual compound growth of 2.18 per cent for West-Bengal, while it is 0.73 per cent for Bihar and -0.42 per cent for Assam. The production of raw jute in Bihar and Assam is found to be more instable in nature as compared to the West-Bengal due to which the annual compound growth rate for Assam is negative.

In 1950-51 the total production of raw jute was 3308 thousand bales of which major producing states like West-Bengal, Bihar and Assam contributed 1556, or 47 per cent, 663 or 20 per cent and 796 or 24 per cent respectively. All these three states accounted for 91 per cent of total production of raw jute and the share of West-Bengal and Assam increased to 50.96 per cent and 28.8 per cent respectively, leaving behind the share of Bihar as 12.19 per cent in 1955-56. The annual compound growth rate of West-Bengal, Bihar and Assam was 6.74, -4.88 and 8.95 per cent respectively during 1950-51 to 1955-56. The contribution (1955-56) of West-Bengal, Bihar and Assam was 2156 thousand bales, 516 thousand bales and 1222 thousand bales respectively.

In 1960-61, the output of raw jute declined slightly to 4013 thousand bales due to less acreage of 612 thousand hectares and the contribution of West-Bengal and Assam was

TABLE NO. 8

## MAJOR JUTE PRODUCING STATES AND THEIR SHARES (IN PERCENTAGE)

Year	West- Bengal (Produ- ction in 000 bales	West- Bengal percen- tage share to tot- al pro- duction	Bihar Produc- tion 000 Bales	Bihar percen- tage share to to- tal prod- uction	Assam Produc- tion 000 Bales	Assam Percent- age share to total production	Total All India** Production in 000 Bales
1	2	3	4	5	6	7	8
1950-51	1556	47.03	663	20.04	796	24.06	3308
1955-56	2156	50.96	516	12.19	1222	28.8	4230
1960-61	2044	50.96	857	21.3	819	20.4	4013
1965-66	2333	52.2	910	20.38	845	19.1	4464
1970-71	2748	55.65	773	15.6	986	20.9	4938
1975-76	2686	60.4	612	13.7	723	16.28	4440
1976-77	3473	64.87	621	11.6	704	13.15	5353
1977-78	3465	64.63	772	14.4	545	10.16	5361
1978-79	4124	63.74	832	12.85	899	13.89	6470
1979-80	3778	62.22	933	15.36	885	14.57	6072
1980-81	4443	68.2	699	10.74	913	14.02	6508

1	2	3	4	5	6	7	8
1981-82	4504	66.35	833	12.27	992	14.6	6788
1982-83	3813	64.0	740	12.4	1004	16.8	5957
1983-84	3997	65.98	740	12.21	898	14.82	6057
1984-85	4334	66.6	890	13.6	871	13.38	6506
1985-86	7390	67.4	1714	15.6	1226	11.19	10952
1986-87	4950	67.2	1029	14.0	999	13.58	7353
1987-88	3638	62.8	882	15.2	1052.00	18.14	5800
1988-89	4531	68.0	1026	15.48	800.00	12.01	6656

\*\*Include Orissa and Uttar Pradesh, West Bengal includes data for Tripura and Assam of Meghalaya and Nagaland

- Provisional figures

Source: Kothari's Industrial Directory of India 1989; p-1245, ~~1988~~ Economic Intelligence Service, Nov. 1986; p-89.

TABLE NO. 9

ANNUAL COMPOUND GROWTH RATE (PER CENT PER ANNUM) OF RAW  
JUTE IN MAJOR PRODUCING STATES

Period	West-Bengal	Bihar	Assam	Total (All India)
1950-51 to 1955-56	6.74	-4.88	8.95	5.04
1955-56 to 1960-61	-1.06	10.67	-7.69	-1.04
1960-61 to 1965-66	2.68	1.20	0.62	2.15
1965-66 to 1970-71	3.32	-3.21	3.13	2.03
1970-71 to 1975-76	-0.45	-4.56	-6.01	-2.10
1975-76 to 1980-81	10.58	2.69	4.77	7.94
1980-81 to 1985-86	10.71	19.64	6.07	10.97
1985-86 to 1988-89	-15.04	-15.72	-13.26	-15.29
Total ACGR	17.48	5.84	-3.40	9.70
Average ACGR %	2.18	0.73	-0.42	1.21

Source: Calculated by the author on the basis of table No.8 2044 and 819 thousand bales respectively showing a decline, while the contribution of Bihar increased to 857 thousand bales or 21.3 per cent. The annual compound growth rates of jute production during 1955-56 to 1960-61 of West-Bengal, Bihar and Assam were -1.06 per cent, 10.67 per cent and -7.69 per cent respectively. Thereafter in 1965-66, the production

of raw jute registered sufficient growth and the shares of West-Bengal, Bihar and Assam were 2333 thousands bales, 910 thousand bales, 845 thousand bales and annual compound growth rates of jute production in these states were 2.68 per cent, 1.2 per cent and 0.62 per cent respectively showing sufficient growth during the period. Thereafter in 1970-71 the production of raw jute increased to 4938 thousand bales and states' shares were improved as 2748 thousand bales for West-Bengal, 773 thousand bales for Bihar, and 986 thousand bales for Assam in which West-Bengal's share rose to 55.5 per cent and the share of Bihar declined to 15.6 per cent. The annual compound growth rates of West Bengal, Bihar and Assam were 3.32 per cent, -3.21 per cent and 3.12 per cent respectively. In 1975-76 the production of raw jute declined and the annual compound growth rate of West-Bengal, Bihar and Assam was -0.45 per cent, -4.56 per cent, -6.01 per cent in which the share of Bihar and Assam declined as compared to West-Bengal which shared 60.4 per cent of total production in 1975-76.

Subsequently, the share of West-Bengal increased while there was decline in production in Bihar. In 1980-81, the shares of West-Bengal, Bihar and Assam were 68.2 per cent, 10.74 per cent and 14.02 per cent. Their contribution, except Bihar also increased. The annual compound growth rate of

West-Bengal, Bihar and Assam was 10.58 per cent, 2.69 per cent and 4.77 per cent respectively while total growth was 7.94 per cent during 1975-76 and 1980-81. During 1982-83 and 1983-84 when the production declined due to unfavourable monsoon, the state's shares also decreased. But in terms of the proportion to total production which was nearer to its earlier figures. In 1985-86 the production of the jute increased to 10952 thousand bales showing annual compound growth rate of 10.97 per cent while during 1980-81 and 1985-86 the growth rate of West-Bengal, Bihar and Assam was 10.71 per cent, 19.64 per cent and 6.07 per cent. In 1985-86 West-Bengal produced 7390 thousand bales which was 67.2 per cent of total output followed by Bihar and Assam which was 15.6 and 10.75 per cent respectively. Thereafter due to drought in 1987-88 there was decline in the yield of raw jute, consequently the contribution of West-Bengal came down by 5 per cent as it could just produce 3638 thousand bales out of total 5800 thousand bales. While in the same year Assam produced 1052.00 thousand bales which was 18.14 per cent of total production.

During 1988-89, the normal monsoon increased the total production and the West-Bengal alone contributed 68 per cent while the contribution of Assam declined to 12.01 per cent and Bihar produced 15.48 per cent of total production. As the

total production of raw jute is found erratic in nature due to weather conditions, etc., owing to unequal rainfall in different states of the country during the past years. Also the trend of states' contribution to raw jute was substantially unstable. For instance, West-Bengal's contribution to total output of raw jute moved upward and yield per hectare recorded was higher than the past, whereas the production in Assam and Bihar the second and third largest growers of raw jute declined sharply.

#### PROCUREMENT OF RAW JUTE AND THE ROLE OF JUTE CORPORATION OF INDIA

The procurement of raw jute is essential to combat the irregularities in the raw jute market and also for protecting the interest of growers. It is also necessary to maintain the price support operations in jute market during the season because no mill may be capable to hold the stocks of raw jute for its annual inputs at the beginning of season when the prices of raw jute remain cheap. There is also a limit to stock raw jute requirement upto ten week consumption which is specified in the Maximum Stock Control Order under clause 9 of Jute (Licensing and Control) Order, 1981.

In the early days, a very small quantity of raw jute was procured by the state cooperatives and other agencies and



to a great extent of control was in the hands of private traders who earned high profits by speculative activities.

The Government established Jute Corporation of India (JCI) in April 1971. Its main objectives are to procure raw jute directly from the growers and to undertake price support operations in jute for saving growers from the exploitation by farias and wholesalers. The corporation also makes sufficient arrangements for import and export of raw jute and mesta and their distribution from time to time. The Jute Corporation of India in 18 years after its inception has been able to procure only 10 to 15 per cent of total production leaving 85 to 90 per cent in the hands of private traders. The Jute Corporation of India has been able to purchase only 5 per cent of jute directly from the growers; because it has only 195 purchasing centres in villages.<sup>1</sup> Procurement by the Jute Corporation of India is taking place largely through cooperatives whereas they are well established. During first-half of eighties the Jute Corporation of India procurement was near about 12 to 14 per cent of the average but now its share of procurement has declined. In 1987-88 alone, the procurement of Jute Corporation of India was over 5.4 lakh bales which was 8.55 per cent of total 67.82 lakh bales, in 1988-89 the procurement improved to 6.8 lakh bales. The table No. 10

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1. The Economic Times- June 30, 1989; p-6.

reveals the production and procurement of jute by Jute Corporation of India during eighties.

TABLE NO. 10

PROCUREMENT AND PRODUCTION OF RAW MATERIAL  
BY JUTE CORPORATION OF INDIA

(Values in lakh bales of 180 Kg)

Year	Total Production	Procurement by Jute Corporation of India	
		Quantity	Percentage of Production
1980-81	81.60	10.60	12.99
1981-82	83.71	17.61	21.03
1982-83	71.82	8.6	11.97
1983-84	74.56	8.6	11.53
1984-85	77.62	10.16	13.08
1985-86	127.13	N.A.	N.A.
1986-87	86.26	N.A.	N.A.
1987-88	67.82	5.8	8.55
1988-89	78.98	6.8	8.60

Source: Figures of raw material procurement upto 1984-85 taken from the Hindu, Survey of Indian Industries, 1985; p-249, and figures from 1987-88 onwards taken from Reserve Bank of India Bulletin, May 1989; p-385.

Now-a-days, the Jute Corporation of India is functioning under acute financial constraints. Ever since, its entire working capital of Rs. 5 crore got locked up due to non-realization of dues from mills under the back to back arrangement operated during 1973-74 to 1975-76, the cooperation has been relying on bank borrowing and government loans for its operations.<sup>1</sup> Due to low procurement share by Jute Corporation of India the rate possesses high fluctuations due to heavy speculative activities. Still the total purchase of raw jute by government agencies like Jute Corporation of India and Jute Commissioner and State Cooperatives is not even 25 per cent of marketable surplus.

#### PRICING BEHAVIOUR OF RAW JUTE AND MINIMUM SUPPORT PRICES(MSP)

Production of jute is characterised by two main features viz., extreme instability in production and low yields. Because of low quality seeds, narrow irrigations, etc., jute production is liable to wide swings. Prices of jute also fluctuate substantially because of unstable production level. In the jute market the prices are fixed by the demand and supply.

The Government has been announcing minimum support prices (MSP) for raw jute since 1961-62 to prevent prices

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1. The Economic Times- May 16, 1990; p-5.

falling below certain specified limit. For enforcement of these prices, the Jute Licensing and Control Order, 1961, was promulgated under Essential Commodities Act and Powers were assumed by the Government, inter-alia, to regulate the prices and stocks of jute through laying down of maximum and minimum stock limits.<sup>1</sup>

#### MARKETING PATTERN OF RAW JUTE

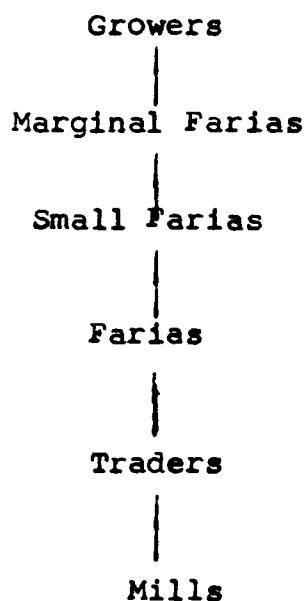
Grading is an essential feature of marketing system for fixing the prices. As grading makes possible a comparison of values of different qualities of a product in a single market and differences in prices of same grade in different markets.<sup>2</sup> The prices are decided on the basis of grades which are guaranteed in the market.

Raw jute is transacted by the growers in the form of unassorted bundles with low prices. The true content of the bundles in terms of commercial grades is only revealed at the bailing stage, unknown to new anonymous growers.<sup>3</sup> In the present system of marketing the growers are compelled to sell

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1. Spotlight on Jute: Published on behalf of Indian Institute for Regional Development Studies, Koyattayam, Kerala-India Book Exchange-Calcutta, 1977; p- 105.
  2. Desai, S.M.: Marketing Management in Indian Perspective; Himalaya Publishing House, Delhi, 1988; p-794.
  3. Interim Report of the Commission of Inquiry on Jute Industry; 1970, p. 116.

after harvest about 75 per cent of their fibre immediately to money lenders and farias (the buying agents) at their door steps due to different reasons like widely prevailing practice of 'dadan' under which the growers under the burden of debt pledge their crop to money lender,<sup>1</sup> due to lack of easy transportation facilities, absence of regulated market, the uncertainties involved in taking the fibre to distant markets; and only 25 per cent of raw jute is brought to the markets.

Raw jute reaches the mills after passing through many hands of middlemen causing wide fluctuations in prices. The following is the present marketing system of raw jute:



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1. Interim Report of the Commission of Inquiry on Jute Industry, 1970; p-116.

The village level farias or marginal farias who procure jute at the village level bring the jute to the primary market and secondary markets. They have an option to sell it either to Jute Corporation of India or cooperatives or to the private traders and wholesalers. The small farias subserve as the operators of the big farias and the wholesalers.

In this peculiar mechanism neither suppliers nor marginal and small farias play any substantial role regarding the price fixation of raw jute. But this pattern of marketing is a major cause of the fluctuations in the prices of raw jute. The middlemen for the sake of maximising the profits store it for a long time to get a higher price because jute can be stored over fairly a long period. The speculative activities cause fluctuations to prices of raw jute from season to season, month to month and even day to day from hour to hour between the opening and closing of the "organised" market.

## II. PATTERN OF PRODUCTION OF JUTE GOODS

The manufactured goods of jute industry may be classified into three main categories, viz;

- Packaging Materials;
- Backing Cloth; and
- Decorative and other items.

### MANUFACTURED GOODS OF JUTE AS A PACKAGING MATERIAL

In the very beginning, the full potential of jute and its products could not be realized chiefly due to lack of knowledge and requisite technology about its possible use. Traditionally, the jute mills catered to the need for inexpensive packaging materials, like sacking bags or B-Twill bags, hessian or gunny cloth jute twine and jute ropes. These packaging products are used for storing agricultural and other natural products by agricultural sector, manufacturing sector like cement, sugar, fertilizer industries, etc. Sacking bags or gunny bags were found to be ideal for packaging of cereals and foodgrains, etc., while the other items, hessian, which is comparatively finer than its counterpart, came handy for packaging and storing of cotton and other fibre. In addition, jute packaging materials proved ideal for packaging and storing of some natural products with requisite respirations like fresh fruits, vegetables, etc. Though now jute chests are

believed to be very suitable for packaging apples and tea leaves, traditional use did not include jute fibre for such packaging.

The packaging goods-sacking and hessian always hold its majority share, more or less 90 per cent of total output of jute goods, while sacking alone constitutes nearly sixty per cent of jute. In spite of various substitutes, jute packaging still occupies a major portion in packaging market due to its natural advantage like durability and strong character over the synthetic substitutes. This is not to deny the rapid growth of the said packaging substitutes. The jute continues to hold lion's share in it.

b. JUTE MANUFACTURERS AS A BACKING CLOTH

Subsequent to packaging materials, commercial production of carpet backing cloth (CBC) and cloth backing items, which were used as underlays or mats started only in the later part of the Twentieth century, i.e. around 1957-58.<sup>1</sup> During the late sixties and whole seventies the production of Carpet Backing Cloth increased due to its external popularity in overseas markets, specially demanded in the United State Carpet factories. Its share of export to United State of America was 12 per cent of the total in late 1960's. But during 1980's its production fell sharply as a result of other substitutes

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1. Kothari's Economies & Industrial Guide, 1972; p-980.



made of synthetics as well as crisis in the United State carpet industry which was the main consumer of Indian Carpet backing cloth.

Though the production of Carpet backing cloth was wholly dependent on its external demand and could not continue its share in the production of jute goods output because its domestic consumption was almost negligible upto 1985-86. Now its internal demand has increased to 4.5 M.Tonnes in 1988-89 as against 1.2 M.Tonnes in 1985-86.<sup>1</sup>

#### c. JUTE MANUFACTURES AS DECORATIVE AND OTHER ITEMS

The Indian Jute industry has been working relentlessly to diversify its products. It has succeeded to widen the application of diversified jute products in various new uses. Such efforts have not been in vain. Now jute mills are producing sophisticated apparel and furnished materials along with blended fabrics out of the same jute fibre. Today, the Indian jute mills are producing wide range of attractive dyed as well as printed fabrics for decoration of both home and offices by way of wall-coverings, door-mats, carpet matting, drapes, table spreads, curtains, screens, and window-shades and alike. Of late, the jute mills further enhanced their variety of production by going in for producing daily-use items like pencil-

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1. Indian Jute-A Bulletin of Jute Manufactures Development Council; Calcutta, Nov., 1989; p-4

holders, table napkins, fashion bags and files, blankets, shoe-uppers, briefcase and similar other items. Besides, several types of garments like skirts, designer jackets etc. are produced by jute fibres. Likewise, applications of geotextile have been developed by jute mills to meet the demand of PWD and Irrigation sectors. It is expected that jute belt could in the coming years, find newer uses in both the household and the industrial sectors. Manufacture of reinforced plastic materials for use in automobile and furniture are the further dimensions of future extension and diversification of jute goods.

These would be endless diversified products of jute industry in the near future. Now, the jute industry has gone beyond its traditional domain by means of diversification to such an extent that it has found its way to cotton and wool viz., carpet blankets, designer garments, jackets and various gift items, etc.

The jute industry is trying to explore still better uses of the "golden fibre" for its internal consumption as well as to meet the external demand in a bid to make good the sharp decline in the external demand of the order of one-third of total jute mills' output. A further dimension for this phenomenon emanates from the stiff competition of Indian

jute industry facing the rival continental countries like Bangladesh which produces cheap and improvised quality of jute goods for international markets. Moreover, threats do come from jutes' synthetic substitutes in domestic as well as in overseas markets due to change in packaging style. The new technology employed for production of such synthetic substitutes in recent times has virtually superceded and outpaced the already slackening jute packaging markets.

High density polyethetene bags/PP woven bags are now replacing jute bags in packaging fertilizers, cement, and are likely to be used for the packaging of other agricultural items. Despite these grave threat, now two-third of the jute good is consumed internally. Domestic demand for jute packaging material grew rapidly over the years.<sup>1</sup> The jute, being a cheap and versatile fibre endowed with inherent natural advantage over synthetics, will never lose its importance. Notwithstanding these ebbs and flows in the jute industry, it still remains the world's largest producer of jute goods and fulfils equally largest share of consumers' demand as well. It is paramount importance to increase productivity which is lowest than other jute goods producing countries. The average mandays required for producing a tonne of jute goods here is between

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1. Mukerjee, Nirmalandu: 'Protecting Jutes' interests; The Hindu, Survey of Indian Agriculture, 1988; p-101.

55 and 60, it is 30 to 35 in China and Thailand.<sup>1</sup> As a consequence, the Indian jute mills have conceded substantial segment of the world market to the most efficient producers of jute goods.

#### GROWTH PATTERN OF JUTE MANUFACTURES

The table No. 11 gives the output trend of jute textiles and relative shares of its product composition of hessian, carpet backing cloth, sacking and others. From the table, it can be seen that production has increased by 60 per cent since 1950-51 which has varied from 870 thousand tonnes in 1950-51 to 1388.6 thousand tonnes in 1988-89, showing sufficient growth in production. Table No. 12 also shows an annual compound growth of 1.28 per cent. The product-wise annual compound growth rates of hessian, Carpet backing cloth, sacking and other, are 0.17 per cent, -5.44 per cent, 1.77 per cent and 5.67 per cent respectively during the period.

In 1950-51 output was confined to only hessian and sacking, both of which accounted for 340 thousand tonnes or 39 per cent of the total. The production of other items of jute goods remained nil due to scarcity of raw material caused by the partition of the country. The installed capacity of jute

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1. The Economic Times, June 26, 1989; p-7.

industry which was 1.2 million tonnes was not fully utilised due to the shortage of raw materials. Besides, it led to curtailment of working hours with effect from May 2, 1949, working hours were reduced from 60 to 48 hours a week and later on to 42.5 hours a week. This was accompanied by sealing of 12.5 per cent of the total looms. The number of hours, however, was increased to 48 hours a week since October 1954. By March 1956, 7.5 per cent of looms were unsealed. However, the production increased by 28 per cent in 1955-56. The annual compound growth rate of jute goods production was 5.1 per cent in which hessian and sacking accounted for 4.5 per cent and 4.3 per cent respectively during 1950-51 and 1955-56.

Subsequently the jute industry has tried to expand and diversify production. In 1957-58 it started commercial production of cotton backing and carpet backing cloths. During 1960-61 the production of carpet backing cloth was 36.6 thousand tonnes, i.e. 3.27 per cent of the total production of jute goods. The production in 1960-61, however, declined by 12.9 per cent comparatively to production in 1955-56 due to unsatisfactory production of raw jute (as 4013 thousand tonnes in 1960-61). As a result of it, during 1960-61, jute industry faced serious crisis. Speculators exploited the raw material shortage to create price spiral. It further deepened the crisis.<sup>1</sup> The annual compound growth rate was -2.74 per cent in

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1. Memoria, C.B.: Organisation & Financing Industries in India, Kitab Mahal, Allahabad, 1982; p-796.

TABLE NO. 11

TREND IN PRODUCTION OF JUTE GOODS

Year	Values in '000 Tonnes					Index of** total pro- duction
	Hessian	Carpet backing cloths (CBC)	Sack- ing	Othe- rs	Total	
1950-51	340	N11	500	--	870	100
1955-56	424	N11	618	74	1116	128.2
1960-61	356	36.6	482	96.4	971.0	116.09
1965-66	529	--	591	223*	1343	154.36
1970-71	346.2	134.6	481.3	98.8	1060.9	121.94
1975-76	321.0	157.6	700.2	120.0	1299	149.3
1976-77	329.6	112.8	616.1	127.1	1185.6	136.27
1977-78	361.1	136.5	528.7	151.8	1178.1	135.4
1978-79	279.2	112.9	511.0	143.9	1047.0	120.34
1979-80	365.9	144.5	654.8	171.6	1336.8	153.65
1980-81	402.0	67.0	732.0	191.4	1392.4	160.04
1981-82	348.9	84.1	725.1	175.5	1333.6	153.28
1982-83	323.4	56.2	782.9	175.3	1337.8	153.77
1983-84	227.5	30.4	658.1	172.9	1088.9	125.05
1984-85	325.5	46.6	805.6	192.0	1369.7	157.43
1985-86	310.9	30.5	823.4	186.9	1351.7	155.36
1986-87	348.5	53.5	831.1	160.9	1394.0	160.22
1987-88	316.0	41.3	679.3	155.5	1192.1	137.02
1988-89	331.7	35.6	792.7	246.6	1388.6	159.60

\* \* Year 1950-51 as a base year

\* Carpet Backing Cloth included in other

Source: Compiled by Author from Statistical Abstracts of CSO 1986; p-52 & 115 & 'Indian Jute'- A bulletin of Jute Manufactures Development Council, Calcutta, Nov. 1989; p-3.

which hessian, sacking and others accounted for -3.4 per cent, -4.84 per cent and 5.43 per cent respectively during 1955-56 and 1960-61. During this period, the production of other items maintained steady growth.

In 1965-66, production of jute goods increased by 38 per cent over 1960-61. The annual compound growth rate was 6.7 per cent during 1960-61 and 1965-66. The hessian and sacking achieved sufficient growth, viz., 8.24 per cent and 4.16 per cent respectively during the same period. Subsequently, the production declined due to shortage of raw material while production of carpet backing cloth improved in response to its external demand. However, in general, the period is marked by unstable production. The table No. 13 further reveals that the production of carpet backing cloth accounted for 12.68 per cent of the total in 1970-71. However, the annual compound growth rate during 1965-66 and 1970-71 of jute goods output was -4.6 per cent. Hessian and sacking also displayed negative growth of -8.12 and -4.02 per cent respectively during the period. The production upto mid-seventies (1975-76) considerably increased viz., 22.4 per cent against the production in 1970-71. It has been taken place in spite of decline in raw jute production 4440 thousand bales in 1975-76. The share of sacking as improved though the contribution of hessian had declined.

TABLE NO. 12

ANNUAL COMPOUND GROWTH RATE OF JUTE GOODS  
( PER CENT PER ANNUM)

Period	Hessian	CBC	Sacking	Other	Total
1950-51 to 1955-56	4.51	--	4.32	--	5.10
1955-56 to 1960-61	-3.43	--	-4.84	5.43	-2.74
1960-61 to 1965-66	8.24	--	4.16	--	6.7
1965-66 to 1970-71	-8.12	--	-4.02	--	-4.60
1970-71 to 1975-76	-1.50	3.20	7.78	3.96	4.13
1975-76 to 1980-81	4.60	-15.72	0.89	9.78	1.39
1980-81 to 1985-86	-5.00	-14.56	2.38	-0.47	-0.59
1985-86 to 1988-89	2.11	5.28	-1.25	9.68	0.90
Total (Per centage)	1.39	-21.79	9.41	28.37	10.30
Average(Per centage) ACGR	0.17	-5.44	1.17	5.67	1.28

Source: Calculated by the author on the basis of table No.11. The annual growth rate of hessian, carpet backing cloth, sack-king and other items was -1.5, 3.2, 7.78 and 3.96 per cent respectively during 1970-71 and 1975-76. The annual compound growth rate of all the items was 4.13 per cent during the same period. This increase in the production can be attributed to modernisation and expansion programme of the existing units and establishment of new units during the fourth Plan (1969-74).



TABLE NO. 13

## RELATIVE SHARE OF EACH ITEMS IN TOTAL PRODUCTION OF JUTE GOODS

Year	(In percentage)					Total Production(000 tonnes)
	Hessian	Carpet Back- ing Cloth (CBC)	Sacking	Others		
1	2	3	4	5	6	
1950-51	39.08	N11	57.47	6.63	870	
1955-56	37.99	N11	55.37	6.63	1116	
1960-61	36.66	N11	49.6	13.69	971	
1965-66	39.38	N11	44.00	16.60	1343	
1970-71	32.63	12.68	45.36	9.31	1060.9	
1975-76	24.71	12.13	53.90	9.23	1299.0*	
1976-77	27.8	9.51	51.96	10.72	1185.6	
1977-78	30.65	11.58	44.87	12.88	1178.1	
1978-79	26.66	10.78	48.8	13.74	1047.0	

Contd.....Table No.13

1	2	3	4	5	6
1979-80	27.37	10.8	48.98	12.83	1336.8
1980-81	28.87	4.81	52.57	13.74	1392.4
1981-82	26.16	6.30	54.37	13.15	1333.6
1982-83	24.2	4.2	58.52	13.10	1337.8
1983-84	20.9	2.79	60.43	15.87	1088.9
1984-85	23.76	3.4	58.81	14.01	1369.7
1985-86	23.00	2.2	60.91	13.82	1351.7
1986-87	25.0	3.83	59.61	11.54	1394.0
1987-88	26.50	3.46	56.98	13.04	1192.1
1988-89	23.88	2.56	57.08	17.75	1388.6

Source: Compiled by the author from Table No. 11

It brought about expansion in the production capacity of jute mills by 71,000 tonnes.<sup>1</sup> However, these obtained erratic trend in production. It was 1185.6 and 1178.1 thousand tonnes in 1975-76 and 1976-77 respectively. The declining production was accounted for by the shortage of raw materials during the period. In 1978-79, the production of jute goods witnessed a further decline to 1047 thousand tonnes because of extensive lock-out in the jute mills following prolonged labour unrest. Subsequently, the production improved; in 1980-81 the total output of jute goods was 1392.4 thousand tonnes. However, the share of carpet backing cloth declined to 4.8 per cent in 1980-81 from 10-12 per cent in 1970's. Consequently, the production of sacking increased from 49 per cent in 1979-80 to 52.57 per cent in 1980-81 in response to higher demand. The product-wise growth during 1975-76 and 1980-81 of hessian, carpet backing cloth, sacking and others was 4.6 per cent, -15.72 per cent, 0.89 per cent and 9.78 per cent respectively. Overall growth of all products during the said period was 1.39 per cent. In 1983-84 the production declined by 18 per cent due to less working days (only 232 days). Further, the labour unrest caused steep decline in production to 1088.9 thousand tonnes. Thereafter the production again regained the level that obtained in 1984-85. The share of sacking and

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1. Memoria, C.B.: Op. cit, p-797

2. Indian Jute: Vol. III, No.4, A Bulletin of Jute Manufacturers Development Council, Calcutta, Nov.1989; p-3

other items improved. The production trend remained more or less stable till 1986-87. Upto mid eighties (1985-86) the growth was negligible due to decline in the production. During 1980-81 and 1985-86 it was 0.02 per cent. There has been negative growth in the production of sacking and other items. In 1987-88 the drought condition led to decline in the production of raw jute. In 1988-89, it was possible for the industry to step up of jute goods viz., 1388.6 thousand tonnes. It yielded growth rate of 0.90 per cent during 1985-86 and 1988-89. However, the sacking has declined by -1.25 per cent. The other items during the same period registered sufficient growth, viz., 9.68 per cent per annum.

The overall analysis of table No. 11, 12 and 13 reveals that the jute industry is one which has attained a sufficient growth of nearly 60 per cent since 1950-51. The more peculiar feature which emerges from the table No. 11 is that the production of jute goods has been fluctuating largely due to labour unrest and acute shortage of raw material. Nevertheless, the industry has been able to produce nearly 15 lakh tonnes per annum despite the growing obsolescence of its machinery and other problems like power shortage, frequent break downs and other factors etc.

The other feature of jute manufactures is manifested in a peculiar fact that impact of decline in the production of one item leads to increase in the production of other, for instance, during the late sixties and seventies the production of carpet backing cloth increased due to its popularity in overseas markets while later on its production declined due to slackening demand in the foreign markets. Consequently, there was an increase in the share of sacking and other items in the total. It may be added that traditional products may not always stay in the market and the other substitutes tend to capture the demands. The production of other goods, specially, diversified items which starts getting more share in the production of jute goods, is likely to strengthen the future demand for jute goods. For instance, table No. 13 exhibits the increasing pattern of the share of other items in total output. In recent years the government has shown keenness by extending active support for promoting diversification in jute industry.

The recent production pattern in which the contribution of other items has shown increase is most likely to result into enhanced production of jute industry in future. The overall trend of production during the years conveys an impressive growth in all direction which is a good sign for a bright future of the jute industry.

### III. PATTERN OF INTERNAL CONSUMPTION OF JUTE GOODS

The consumption pattern of jute goods has changed its dimension from external to domestic during the last four decades. The concurrent shift of demand from international market to internal market is the result of decline in export of jute goods. The significant growth in the production of jute goods during post-independence period is attributed to internal demand with increasing production in the agricultural and industrial sectors notably in foodgrains, sugar, cement and fertilizers etc. Domestic demand for jute packaging materials grew rapidly over the years. The average price of jute goods has also gone up by 148 per cent since 1970-71.<sup>1</sup> Moreover, a threat to the jute goods specifically for the packaging materials began when the synthetics made inroads into packaging. In recent years it is trying to supercede the traditional packaging market of jute goods. The fast development of petrochemical products like LDPE (Low Density Poly-Ethylene) and HDPE (High Density Poly-Propylene) has replaced the base for packaging of jute goods.<sup>2</sup> Within a span of very short period development of synthetic woven sack units, has witnessed very fast pace as evident from impressive

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1. Business India, November, 14-27; 1988; p-83.

2. Nararyanan, K.P.: "The Real Threats to Jute", The Hindu, Survey of Indian Industries; 1985, p-249.

growth of 350 units in the country at a cost of more than Rs. 200 crores. The installed capacity is equivalent to 7.00,000 tonnes of jute goods.<sup>1</sup> Government has also granted licences liberally for installing these plants. The synthetic bags ~~are~~ have an essential price advantage over the jute bags due to low price of finished goods, viz., the manufacturing cost of a synthetic cement bag is Re. 0.45 and its retail price Rs. 4. The similar jute bags costs Rs. 2.50 to produce and fetch retails of Rs. 5.75. The difference is accounted for by the high manufacturing cost of jute bags, in which labour accounts for 40 per cent of the cost of conversion in case of jute approximately, the comparative figure for High Density Poly-Ethylene bag is only 5 per cent.<sup>2</sup> The jute cement bag is retailed at a price more than 44 per cent than its counterpart, i.e. High Density Poly-Ethylene cement bags. This price advantage of synthetic bags is apt to further increase its demand. As now synthetic High Density Poly-Ethylene bags have already captured 90 per cent of the market in fertilizers and 20 per cent in cement. It threatens to take away more of the market in future. The Railways decision not to permit the use of gunny bags for certain commodities such as salt in rail movement has further increased the jute industry's exasperation.<sup>3</sup> The increasing demand

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1. Kothari's Industrial Director of India-1989; p-1248.
  2. The Economic Times, New Delhi, September 27, 1989; p-4
  3. Kothari's Industrial Directory of Indian Industries, 1989; p-1246.

for synthetic bags poses a serious threat to the jute packaging markets which has also changed the packaging style, etc.

The table No. 14 reveals that the domestic consumption of jute goods has increased significantly from 116 thousand tonnes in 1950-51 to 1148 thousand tonnes in 1988-89; in terms of percentage share of consumption to total production of jute goods varied from 13.3 per cent to 82.7 per cent during this period. Initially the 2/3rd share of output was exported and the remaining 1/3rd share was consumed internally. Now the situation has altered and domestic consumption has increased to 2/3rd of jute goods output.<sup>1</sup> The average domestic demand for jute goods is 1066 thousand tonnes per annum or 80 per cent of total jute goods output while it was less than 20 per cent during fifties. Internal consumption of packaging materials increased consistently since fifties. Hessian consumption increased from 12 thousand tonnes in 1950-51 to 160.1 thousand tonnes in 1988-89. Consumption of sacking also went up from 88 thousand tonnes to 764.3 thousand tonnes in 1988-89.<sup>2</sup> Besides packaging material, internal consumption of other items has show a consistently rising trend

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1. Mahanti, P.C.: "Modernisation Fund for Jute" Commerce, October 4-10, 1986; p-647.

2. Mukerjee, Nirmalendu, "Protecting jutes' interests". The Hindu, Survey of India Agriculture, 1988; p-101.



TABLE NO. 14

TRENDS OF INTERNAL CONSUMPTION

(Figures in '000 tonn&amp;s)

Year	Production of Jute Goods	Domestic con- sumption of Jute goods	Percentage of con- sumption to the production of jute goods
1950-51	870	116	13.3
1955-56	1116	N.A.	N.A.
1960-61	971	280	28.83
1965-66	1343	448.5	33.39
1970-71	1060.9	519.7	48.98
1975-76	1299.0	777.6	59.86
1976-77	1185.6	740.9	62.49
1977-78	1178.1	646.8	54.4
1978-79	1047.0	698.7	66.73
1979-80	1336.8	824.3	61.66
1980-81	1392.4	922.0	66.21
1981-82	1333.6	912.8	68.44
1982-83	1337.8	1002.0	74.89
1983-84	1088.9	947.2	86.98
1984-85	1369.7	1034.7	75.54
1985-86	1351.7	1094.9	80.95
1986-87	1394.0	1090.9	78.25
1987-88	1192.1	957.4	80.31
1988-89	1388.6	1148.5	82.70

Source: Copiled from Statistical Abstract India, 1987; Central Statistical Organisation, New Delhi; p-69 and Indian Jute; A Bulletin of JMDC, Calcutta, Nov. 1989; p-4.

TABLE NO. 15

ANNUAL COMPOUND GROWTH RATE OF JUTE GOODS  
CONSUMPTION (PER CENT PER ANNUM)

Period	Hessian	CBC	Sacking	Others	Total
1950-51 to 1955-56					9.21
1955-56 to 1960-61					
1960-61 to 1965-66					9.88
1965-66 to 1970-71					2.99
1970-71 to 1975-76	2.76	--	9.66	6.11	8.39
1975-76 to 1980-81	8.00	--	1.18	12.60	3.46
1980-81 to 1985-86	1.61	--	4.21	1.61	3.48
1985-86 to 1988-89	6.86	55.36	-1.32	9.66	1.62
Total ACGR	19.24	55.36	13.74	29.99	39.03
Average ACGR	4.81	55.36	3.43	7.49	5.57

Source: Calculated by the author on the basis of Table No.14 and 16.

for the last few decades.

The table No. 14 further reveals that in 1950-51, 116 thousand, or 13.3 per cent of total jute goods output was domestically consumed. The quantity reached 280 thousand tonnes or 28.3 per cent of total output in 1960-61. The

internal consumption pattern improved by more than two-fold during this decade and showed an annual compound growth rate of 9.21 per cent during the decades 1950-51 and 1960-61. There is further growth in domestic consumption by 9.88 per cent during 1960-61 and 1965-66 as shown in table No. 15 which reveals the increasing trend of domestic consumption of jute goods. The internal consumption touched a level of 519.7 thousand tonnes in 1970-71 and 777.6 thousand tonnes in 1975-76 while it declined during 1978-79 due to slack production of jute goods. The table No. 15 exhibits the annual compound growth rate; it has been only 2.99 per cent during 1965-66 and 1970-71, showing a low increasing trend. It rose to 8.39 per cent during 1970-71 and 1975-76. Subsequently, there has been no further increase in domestic consumption in terms of annual compound growth rate.

During the first half of seventies (1970-71 to 1975-76) the growth rate per annum of hessian, sacking and other items was 2.76 per cent, 9.66 per cent and 6.11 per cent respectively. The annual compound growth rate of total jute items was 8.39 per cent. The annual compound growth rate of hessian, sacking and others was 8.00 per cent, 1.18 per cent and 12.6 per cent respectively during 1975-76 and 1980-81. The growth rate of total jute items was 3.46 per cent.

TABLE NO. 16

INTERNAL CONSUMPTION OF JUTE GOODS IN INDIA  
SINCE 1970-1971

(Quantity '000 tonnes)					
Year	Hessian	Carpet backing	Sacking	Others	Total
1970-71	71.9	--	384.7	63.1	519.7
1971-72	71.7	--	447.1	73.6	592.0
1972-73	76.7	--	423.9	79.9	580.5
1973-74	75.3	--	348.1	71.2	494.6
1974-75	76.9	--	323.5	66.1	466.5
1975-76	82.4	--	610.3	84.9	777.6
1976-77	94.5	--	543.8	102.0	740.3
1977-78	95.8	--	441.3	109.7	646.8
1978-79	98.7	--	480.0	119.3	698.7
1979-80	98.4	--	583.0	142.9	824.3
1980-81	121.1	--	647.2	153.7	922.0
1981-82	122.9	--	633.7	156.2	912.8
1982-83	118.9	--	731.9	151.5	1002.00
1983-84	106.7	--	683.4	157.1	947.2
1984-85	124.5	--	739.1	171.1	1034.7
1985-86	131.2	1.2	795.4	166.5	1094.3
1986-87	143.4	2.8	801.4	143.3	1090.9
1987-88	146.3	3.2	669.0	138.9	957.4
1988-89	160.1	4.5	764.3	219.6	1148.5

Source: Compiled from Statistical Abstract India, 1987;  
 Central Statistical Organisation, New Delhi; p-69.  
 And Indian Jute-A Bulletin of JMDC, Calcutta,  
 Nov., 1989; p-4.

The table No. 14 shows further rise in the domestic demand. In 1980-81, it improved to 922 thousand tonnes constituting 66.21 per cent of total output, including 121.1 thousand tonnes of hessian, 647.2 thousand tonnes of sacking and 153.7 thousand tonnes of other items. However, the threat faced by packaging market started since mid-seventies due to rapid growth of synthetic packaging products. Despite all these threats, the table reveals that during 1980's consumption pattern has spectacular rise due to increasing demand of other jute products. In 1980 the Government of India directed cement, fertilizers and some other industries to use only jute bags for packaging their products. The steps have been taken by Jute Manufacturers' Development Council and Capital Cottage Emporium to broaden the market prospects of jute diversified products.

There has been consistently positive growth in domestic consumption during 1980's. The significant rise was observed in the domestic demand from 922 thousand tonnes in 1980-81 to 1002.0 thousand tonnes in 1982-83. It slightly dropped to 947.2 thousand tonnes in 1983-84 due to decline in the production. However, the percentage share improved to 86.98 per cent. The domestic consumption further increased to 1094.3 thousand tonnes in 1985-86. During 1980-81 to 1985-86

annual consumption growth rate of jute goods' was 3.48 per cent in which sackings' growth was higher than hessian and other items viz., 4.21 per cent for sacking and 1.61 per cent each for hessian and other items during the period.

Thereafter domestic demand of jute goods has shown slight growth of 1.62 per cent during the years 1985-86 and 1988-89 and there has been decline in the demand of sacking bags during 1987-88 and 1988-89. The annual compound growth of hessian, sacking and other items was 6.86 per cent, -1.32 per cent and 9.66 per cent respectively. The consumption of carpet backing cloth stated due to which its growth rate is calculated as 55.36 per cent and the demand of hessian and other items improved showing 6.86 per cent and 9.32 per cent growth since 1985-86.

The annual compound growth rates of hessian, carpet backing cloth, sacking and other items were 4.18 per cent, 55.36 per cent, 3.43 per cent and 7.49 per cent while the growth rate of that jute goods 5.57 per cent since 1950-51.

The continuous growth rate of internal consumption pattern may be analysed from the table, despite the threat to the business of jute packaging material due to synthetic

substitutes. The Government of India has passed a mandatory order in 1987 to overcome the difficulties in increasing the demands of jute packaging materials. The jute packaging material (compulsory use in the packing commodities) Act, 1987, made its use compulsory for packaging foodgrains, sugar and urea to the extent of 100 per cent and cement to the tune of 70 per cent and 50 per cent for fertilizers. The Act actually came in effect from May 1988 when Supreme Court gave its final verdict approving legal justification of the order because synthetic units had moved to the court to restrain the operation of this order.<sup>1</sup> The further increase in demand for jute goods comparatively to the past is due to this Act, in 1988-89 a remarkable growth of 1148.50 thousand tonnes, or 82.7 per cent of total output, has been attained. The impressive diversification of jute goods followed changes in consumer preferences for attractive items. From simple products like sacking cloth and bags, the industry has gone to hessian or burlap which is in great demand practically all over the world.<sup>2</sup>

It may be derived from earlier observations that the rate of domestic consumption will be increased in future if

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1. Financial Express, September 24, 1988; p-7.

2. Kothari's Directory of Indian Industries, 1989; p-1250.

the manufacturing process is properly updated for cost reduction of jute products as well as diversification of jute items to meet the changing requirements, above all these factors, jute possesses its natural inherent advantages.

#### MARKETING PATTERN OF INTERNAL TRADE OF JUTE PRODUCTS

Marketing of jute goods has been a crucial aspect of jute industry since long, to be handled with utmost care. However, this sector enjoys advantage in this regard as the large corpus for promotional activity. As mentioned earlier, the categories of jute products in which packaging and other items hold the biggest share of jute goods output and marketing of these products carried on by different way which is distributed to consumers by different organisations and private traders.

The traditional items are distributed to consumers through government organisation and private middlemen. The Directorate General of Supplies and Disposals (DGS&D) under Ministry of Commerce procures the jute packaging goods collected from National Jute Manufacturing Cooperation (NJMC) and other mills, are supplied to mandatory users like sugar, cement and fertilizers units and government institutions. In a normal year the Directorate General of Supplies & Disposal procures 25 per cent of jute bags production nearly 8 lakh

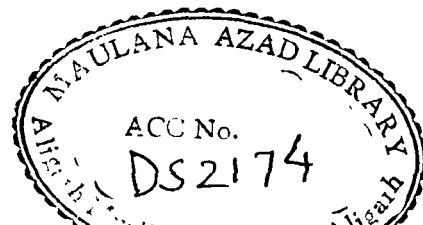


bags and rest 75 per cent of it is distributed to consumers by trade middlemen or private suppliers.<sup>1</sup> The price of jute packaging goods is fixed by the Gunny Traders Association (GTA) and Government agencies like Directorate General of Supplies & Disposal also obeys such prices of jute bags etc.

The marketing pattern of diversified jute products or non-traditional items is carried on through Jute Manufacturers Development Council and a few other Government organisations like capital cottage industries Emporium, etc. During the last few years the domestic marketing of jute diversified items has been intensified through emphasis given by Jute Manufacturers Development Council. Since 1986 the role of Jute Manufacturers Development Council has increased in the promotional activity of jute diversified items by way of organising exhibition in major cities of the country apart from organising exhibition cum sale in the Trade Fair Authority of India to display the jute products. The market response from major cities to these exhibitions has been encouraging. Besides, recently capital and cottage industries Emporium has also started displaying the jute diversified items.

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1. The Economic Times, August 10, 1988; p-7.



This has enhanced the marketing activities of jute  
decoratives and diversified items resulting in further rise  
in the domestic consumption. But the industry is yet to  
launch a full fledged drive to capture and maintain the  
market share of these items.

#### IV. PATTERN OF EXPORT OF JUTE MANUFACTURES

Jute has been the major source of foreign exchange since the early days of East India Company. A brief review of the past of jute industry reveals that this sector had always been export-oriented since the inception of jute industry. The manufactured jute goods enjoyed a monopoly in the past and was considered as the largest contributor to our foreign exchaquer. The industry was mainly dependent on foreign demand of its manufactures. Indian jute textile played significant role for the economic development within the country as well as in the international market. More than two-third share of jute manufactures had been exported to many countries while remaining one-third of jute goods was consumed internally. Even after the Independence until the mid-sixties this proportion of export remained unaffected and jute fabrics were exported to distant markets of the USA, the UK and many other countries. Still the jute products are supplied to 120 countries of the world despite the sharp decline in the exports. Indian jute exports have come down to only 30 per cent of total production as against two-and-half times this ratio only two to three decades ago.<sup>1</sup> During pre-independence period the industry flourished as the export

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1. P.C. Mohanti-Modernisation Fund for Jute Industry, Commerce, October 4-10, 1986; p-647.

value constituted a large proportion of its output. There was no difficulty in marketing various types of jute goods. The change in packaging style, high cost of production and competition from continental jute goods producing countries led to decline in the export of its traditional packaging products. Subsequently, it resulted in decline of foreign exchange earnings. The loss of the volume and value of exports of goods was caused by heavy freight rates. According to Calcutta Jute Fabrics Shippers Association (CJFSA), freight costs, as a percentage of the fob value, at US \$ 400 per tonne on an average, work out to as much as 41 per cent.<sup>1</sup> Moreover, the world demand fluctuates from year to year depending on the condition of world economy.

The Indian jute goods account for nearly 50 per cent of world production. Its share in global export has been steady at 28 per cent for a long time. The packaging materials, sacking and hessian's market has been affected due to competition from Bangladesh and China and technological development in packaging. The export of primary carpet backing is virtually thwarted by synthetic substitutes and that of secondary carpet backing by synthetic and by cheaper material from Bangladesh.<sup>2</sup>

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1. Business India: November 14-27, 1988; p-85.

2. Mukerjee Nirmalandu: 'The Protecting jute's interests', The Hindu, Survey of Indian Agriculture, 1988; p-101.

The table No. 17 reveals the variations in jute goods exports during 1950-51 and 1988-89. It shows a gap in the quantity of jute goods exports. The export has declined to 223.5 thousand tonnes in 1988-89 from 650 thousand tonnes in 1950-51. However, the value of jute goods export has increased to Rs. 239.07 crore in 1988-89 from Rs. 113.8 crores in 1950-51. The share of export value to the total export fell from 19 per cent to 1.17 per cent during the period under review. Since 1950-51, the volume of jute goods exports declined as a whole by an annual compound rate of 2.68 per cent as a result of sharp decline in export of sacking and carpet-backing. The hessian and sacking volume of jute exports declined by an annual compound rate of 2.04 per cent and 9.87 per cent respectively, on the other hand, there has been increase in the growth of other items by 1.41 per cent per annum since 1950-51.

In early years, hessian and sacking had great demand in overseas market. The quantity of sacking and hessian was 650 thousand tonnes and 285 thousand tonnes respectively in 1950-51. In 1955-56, hessian and sacking accounted for 94.23 per cent of total jute goods exports and their respective shares were 46.06 and 48.17 per cent respectively. The compound rate of increase per annum during 1950-51 and 1955-56 of hessian and sacking were 7.13 per cent and 2.88 per cent

TABLE NO. 17

PATTERN OF JUTE GOODS EXPORTS

Year	Hessian Qty.	Carpet Backing Cloth (CBC)	Sack-ing (Qty.)	Othe-rs (Qty.)	Total (Qty.)	Value of jute goods exports	Quantity = '000 tonnes Volume = Rs. crore		
							Index of total (Qty.)	Index of volume (Rs.)	
1	2	3	4	5	6	7	8	9	
1950-51	285	Nil	365	--	650	113.8	100	100	
1955-56	402.3	--	420.8	50.3	873.4	120.0	134.3	105.44	
1960-61	346.0	25.0	316.0	55.0	742.0	136.1	114.15	119.59	
1965-66	456.2	100.2	248.0	95.2	895.6	287.8	137.7	252.89	
1970-71	268.2	153.8	86.5	50.5	559.0	189.93	86.0	166.87	
1975-76	247.1	149.4	78.8	38.3	513.6	246.8	79.01	216.87	
1976-77	248.0	107.7	63.5	33.5	452.7	199.24	69.6	175.07	
1977-78	287.1	136.9	33.3	64.1	521.4	244.09	80.1	214.49	
1978-79	184.2	90.8	8.3	44.8	328.1	165.73	50.47	143.63	
1979-80	254.2	145.2	60.0	33.0	492.4	334.70	75.75	249.11	
1980-81	289.6	60.1	44.2	46.0	439.9	327.42	67.67	287.7	

Contd....Table No. 17

1	2	3	4	5	6	7	8	9
1981-82	239.2	76.0	68.0	21.6	404.8	239.32	62.27	210.29
1982-83	214.1	51.4	36.0	28.0	329.5	201.83	50.69	177.35
1983-84	157.7	30.0	17.2	28.6	233.5	163.71	35.92	143.85
1984-85	200.3	39.0	26.7	22.6	299.6	341.26	46.09	299.8
1985-86	174.4	20.0	32.3	24.6	251.3	266.78	38.66	234.42
1986-87	179.1	48.8	24.3	31.9	284.3	237.79	43.73	208.95
1987-88	172.7	33.7	6.0	27.6	240.0	225.94	36.92	198.54
1988-89	135.5	34.1	9.4	44.5	223.5	239.07	34.38	210.07

Source: Statistical Abstract India, 1987; p-115-116, and Indian Jute Volume.III  
 No. 4; A Bulletin of Jute Manufactures Development Council, Calcuttal  
 Nov. 1989; p-7

respectively, showing a growth of 6.08 per cent. In 1960-61 the exports were still sizable at 742 thousand (or 76.4 per cent of total output) though there was a consequent increase in the domestic consumption to 28.83 per cent. The decline in jute exports as a compound rate was 3.2 per cent as a whole, while it was -2.97 per cent for hessian and -5.53 per cent for sacking during 1955-56 to 1960-61. The share value of jute goods exports to the total country's export went up by 21.48 per cent, contributing Rs. 136.1 crore of foreign exchange in 1960-61. The volume of jute goods increased to 895 thousand tonnes and yielded Rs. 287.8 crore in 1965-66. In the same year there was a decline in the share of sacking as it declined to 27.64 per cent and share volume of carpet backing cloth increased to 11.18 per cent in 1965-66. During 1960-61 and 1965-66 the volume of jute goods export as a whole increased by an annual compound rate of 3.83 per cent while there was decline in the share of sacking by 4.73 per cent. The share of jute goods export to the total country's export increased to 35.25 per cent and contributed Rs. 287.8 crores. Thereafter the gradual decline in jute goods exports was observed and it reached 753 thousand tonnes in 1968-69. In order to arrest the declining trend in exports, the Government of India continued to take various steps. The export duties on jute goods, with the exception of carpet



TABLE NO. 18RELATIVE SHARE OF EACH ITEMS IN TOTAL EXPORTS OF  
JUTE GOODS

Year	Hessian	CBC	Sacking	Others	Total
1950-51	43.84	Nil	56.15	--	100
1955-56	46.06	--	48.15	5.75	100
1960-61	46.63	3.36	42.58	7.41	100
1965-66	50.93	11.18	27.69	10.62	100
1970-71	47.97	27.51	15.47	9.03	100
1975-76	48.11	29.08	15.34	7.45	100
1976-77	54.78	23.79	14.02	7.40	100
1977-78	55.06	26.25	6.38	12.29	100
1978-79	56.14	27.67	2.52	13.65	100
1979-80	51.62	29.48	12.18	6.70	100
1980-81	65.83	13.66	10.04	10.45	100
1981-82	59.09	18.77	16.79	5.33	100
1982-83	64.97	15.99	10.92	8.49	100
1983-84	67.53	12.84	7.36	12.24	100
1984-85	66.85	13.01	8.91	11.21	100
1985-86	69.39	7.95	12.85	9.78	100
1986-87	62.99	17.16	8.61	11.22	100
1987-88	71.95	14.04	2.5	11.5	100
1988-89	60.62	15.25	4.2	19.91	100

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Source: Calculated by the author from Table No. 17

TABLE NO. 19

ANNUAL COMPOUND GROWTH RATE OF JUTE GOODS  
EXPORT (PER CENT PER ANNUM)

Period	Hessian	CBC	Sacking	Others	Total
1950-51 to 1965-66	7.13	--	2.88	--	6.08
1955-56 to 1960-61	-2.97	--	-5.53	1.8	-3.20
1960-61 to 1965-66	5.68	32.00	-4.73	11.59	3.20
1965-66 to 1970-71	-10.07	8.9	-19.02	-11.90	-8.99
1970-71 to 1975-76	-1.62	-0.57	-1.84	-5.38	-1.67
1975-76 to 1980-81	3.22	-16.65	10.92	3.73	-3.06
1980-81 to 1985-86	-9.64	-19.75	-6.00	-11.76	-10.59
1985-86 to 1988-89	-8.06	19.46	-33.73	21.84	-3.83
Total	-16.32	23.38	-78.97	9.17	-21.45
Average ACGR	-2.04	3.89	-9.87	1.41	-2.68

Source: Calculated by the author from table No. 17

backing, were reduced in 1969-70 budget. The duty on hessian was brought down to Rs. 200 per tonne from Rs. 500.<sup>1</sup> By 1970-71, the volume of jute goods further declined to 559 thousand tonnes or 49 per cent of the total output and its share value in country's export declined to 12.37 per cent while in

1. Sadhu & Singh: Industrial Economics, Himalaya Publishing House. Delhi, 1988; pp-288-289.

1970-71 the share of carpet backing to whole jute goods export increased to 27 per cent. During 1965-66 to 1970-71 the volume and value of jute goods export declined as a whole by an annual compound rate of 8.99 per cent and 7.97 per cent respectively. During the first-half of 1970's, the jute export marked a decline by 11 per cent from 559 thousand tonnes in 1970-71 to 513.6 thousand tonnes in 1975-76 due to losing its standard in quality. To popularise Indian jute goods in foreign countries, strict statistical quality control measures have been adopted on a large scale in the industry. Formulation of Indian Standard Institution, standards for jute goods, greater facilities for pre-shipment inspection and registration of exporters have been other measures in this direction. Under the standards laid down by the Indian Standard Institute, grading of jute is made compulsory since 1976.<sup>1</sup> The National Productivity Council has undertaken technical studies for higher productivity in all sectors of the industry and to reduce costs. It is necessary to improve the competitive position of Indian jute goods in the world markets. Trade missions are also sent to foreign countries to explore the possibilities of export of jute goods in these markets.<sup>2</sup> In the later half of seventies the export volume

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1. Memoria, C.B.: Organisation & Financing of Industries in India, Kitab Mahal, Allahabad, 1982; p-804.

2. Memoria, C.B.: Op, cit, p. 805.

TABLE NO. 20

SHARE OF JUTE GOODS EXPORTS TO THE  
TOTAL EXPORTS

Year	Jute exports value in Rs.	Total exports (Crore)	Share percentage of Jute export
1950-51	113.8	600.64	18.9
1955-56	120.0	593.32	20.22
1960-61	136.1	642.32	21.18
1965-66	287.8	816.30	35.25
1970-71	189.9	1535.16	12.37
1975-76	246.8	3304.14	7.46
1976-77	199.24	3941.62	5.05
1977-78	244.09	5404.00	4.51
1978-79	165.73	5725.00	2.89
1979-80	334.70	6418.43	5.21
1980-81	337.42	6710.71	5.02
1981-82	239.32	7805.91	3.06
1982-83	201.83	8803.37	2.29
1983-84	163.71	9970.71	1.64
1984-85	341.26	11743.68	2.90
1985-86	226.78	10894.53	2.08
1986-87	237.79	12451.93	1.90
1987-88	225.94	15741.23	1.43
1988-89	239.07	20280.92	1.17

Source: Compiled from Directorate General of Commercial intelligence and statistics, Calcutta, Financial Express of 1-4-90 and Indian Jute Vol.III, No.4. A Bulletin of JMDC Calcutta, Nov. 1989; p-7.

TABLE NO. 21

ANNUAL COMPOUND GROWTH RATE OF EXPORTS OF JUTE GOODS  
( PER CENT PER ANNUM)

Period	Quantity of Jute Goods (Exports)	Value (Rupees) of Jute goods	Rupee value to total exports
1950-51 to 1955-56	6.08	1.06	-0.24
1955-56 to 1960-61	-3.20	2.54	1.59
1960-61 to 1965-66	3.83	16.15	4.91
1965-66 to 1970-71	-8.99	-7.97	13.46
1970-71 to 1975-76	-1.67	5.37	16.56
1975-76 to 1980-81	-3.06	5.81	15.22
1980-81 to 1985-86	-10.59	-4.03	10.17
1985-86 to 1988-89	-3.83	-3.58	23.01
Total ACGR	21.45	15.35	84.70
Average ACGR	-2.68	1.19	10.58

Source: Calculated by the author from table No. 20

of jute goods declined to 439.9 thousand tonnes or by annual compound rate of 3.06 per cent, though there has been increase in the value of jute export in the same period by 5.81 per cent per annum. The more erratical decline observed in jute goods export as from 513.6 thousand tonnes. Between

1975-76 and 1978-79 viz., from 513.6 thousand tonnes to 328.1 thousand tonnes depicts decline in export value of jute goods. The table shows that there is a continuous decline, viz., 7.66 per cent in 1975-76 to 5.05 per cent in 1976-77 and 2.89 per cent in 1978-79. The highest decline was observed during 1978-79 in terms of both volume and value. The exports were adversely affected in 1978-79 by prolonged labour unrest in Calcutta jute Mills and at Calcutta port which paralysed the shipment of cargo for about four months.<sup>1</sup> During the seventies declining trend of jute exports and fluctuation from year to year is noticed mainly due to decline in the sacking exports. On the other hand the share of carpet backing cloth made substantial rise and its share moved up from 27.51 per cent in 1970-71 to 29.40 per cent in 1979-80 due to increased demand from United State Carpet Industry. The jute exports as a whole declined from 12.37 per cent to 5.21 per cent during this decade. In the 1970's the volume of Indian jute manufactures also suffered a set back by an annual compound rate of 3.5 per cent mainly as a result of decline in the exports of sackings.<sup>2</sup> Thereafter the declining trend of

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1. Mishra, K.: "Export strategy for '80- A case study of Jute goods", The Indian Journal of Commerce, Dec., 1980; p-40.

2. The Economic Times, April 23, 1988; p-7.

jute goods exports continued due to its traditional items and competition with other jute goods producing countries, mainly with Bangladesh. The Bangladesh jute mills have additional advantage of using latest technology and machinery besides its high quality of raw material for production of high quality of jute goods with substantial price difference.

In 1980-81 the decline has been noticed in jute good exports due to sharp decline in the carpet backing cloth and sacking goods demands as the emergence of new substitutes during seventies. In order to enable the Indian jute industry to overcome these difficulties and barriers, the Government of India has been taking some short-term measures, viz., re-introduction of cash compensating support to all types of jute goods to be exported (since September, 1981).<sup>1</sup>

During 1980's the fast decline was caused by heavy slump of external demand of carpet backing cloth and sacking. Carpet backing cloth has lost its own flourishing market in USA. which was the largest consumer of Indian Carpet backing cloth (nearly 40 per cent of total India's carpet backing

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1. Desai, SSM: Industrial Economy of India, Himalaya Publishing House, New Delhi; 1988; p-278.

cloth exports. It has been facing difficult times with recession in carpet industry. The carpet backing cloth has been losing its share of US market over the years. In 1987 jute carpet backing cloth accounted for 33 per cent of the market, or 40,000 tonnes which declined to 20 per cent, or 27,000 tonnes, in 1988.<sup>1</sup> The downward trend in the export of jute goods continued in spite of the measures taken by the Government of India in 1981. By 1981-82 it declined to 404.8 thousand tonnes and further to 329.6 thousand tonnes in 1982-83 to 233.5 thousand tonnes in 1983-84 and it further declined to 251.3 thousand tonnes in 1985-86. The decline in the volume and value of jute goods exports as a whole by an annual compound growth rate was 10.59 per cent and 4.03 per cent respectively during 1980-81 to 1985-86. The share of United State, which was more than 40 per cent of total jute goods exports in 1970-71 and 1972-73, fell by 7 per cent in 1984-85. The share of the United Kingdom is only 5 per cent. Exports to New Zealand have remained fairly steady at low level of 1.5 per cent. Among the developing countries the export to Argentina has fluctuated within a fairly wide range of 8 per cent in 1976-78 to 0.2 per cent in 1984-85.<sup>2</sup> The

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1. The Economic Times, June 22, 1989; p-5.

2. The Economic Times, April 23, 1988; p-7.



United State of America which was the largest importer of Indian jute goods is since long, a great cause of concern due to its, declining trend of jute imports. The market conditions in East European countries and Soviet Union have, however, improved. The U.S.S.R. is now by far the largest customer for India. Its share vary from 20 per cent in 1972-73 and 58 per cent in 1984-85.<sup>1</sup>

From the table No. 17 it may be observed that in the later part of eighties the growing trend in the jute exports is attributed to the diversified jute goods. Efforts has been made by jute manufactures Development Council (JMDC) which has allotted Rs. 3 crores to subsidise exports to Middle East and African countries.<sup>2</sup> The export of jute goods declined from 299.6 thousand tonnes to 223.5 thousand tonne in 1988-89; consequently the share value of jute goods exports to the total country's export has fallen from 2.08 per cent to 1.17 per cent. The volume and value of jute goods exports declined as a whole by an annual compound rate of 3.83 and 3.58 per cent respectively during 1985-86 to 1988-89. Contrary to decline in traditional jute goods exports, the diversified

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1. The Economic Times, April 23, 1988; p-7

2. Sadhu & Singh; Op. cit; p-289.

jute goods and other products increased by 9.17 per cent during 1985-86 to 1988-89. The diversified jute goods which are of high value products may increase the jute goods exports in future to the markets of East European countries.

#### MARKETING PATTERN OF EXPORT TRADE OF JUTE GOODS

The marketing and promotional activities of Indian jute goods in overseas markets are mainly carried through agencies like State Trading Corporation (STC) Jute Manufacturers' Development Council (JMDC) and Calcutta Jute Fabrics Shippers Association (CJFSA). Besides these agencies, there are many private jute merchants who export the jute goods to overseas markets. Among the government agencies, State Trading Corporation is the main body for the promotion and marketing of Indian Jute goods in International market. It also takes interest to export jute goods particularly in those areas where India has to face keen competition from other sources. The State Trading Corporation gets order from abroad directly and distributes the jute goods among the customer countries.

The State Trading Corporation collects the jute goods from National Jute Manufactures Corporation Limited (NJMC) and State Trading Corporation mills consortiums. It under-

takes to supply the jute goods to overseas markets. In a normal year National Jute Manufactures Corporation units share 20 per cent of global business secured through State Trading Corporation mills consortium.<sup>1</sup> The promotional activities are carried by Jute Manufactures Development Council. In recent years the Jute Manufactures Development Council has started organising exhibitions in foreign countries to display Indian jute products and it also makes arrangements for better marketing of jute products particularly diversified items. The experience shows that the exhibition cum-sale campaign of Jute Manufactures Development Council in foreign countries has attained good response. Moreover, the major portion of global business of Indian jute goods is carried by private exporters.

In conclusion, it may be recapitulated that several promotional steps have been taken by the Government to boost export of jute goods, viz., cash compensatory support (CCS) for almost all exportable items at uniform rate of 12 per cent to both manufacturer and merchant exporters, additional

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1. Indian Economic Diary; March 5-11, 1988; p-11937

financial incentives to all exporters at the rate of 10 per cent on export diversified jute products under the External Market Assistance (EMA) scheme of Jute Manufactures Development Council. The scheme is valid for three years till March 31, 1992.<sup>1</sup> The International Jute Organisation (IJO) has also initiated several measures, including a promotional campaign in the world market for jute products.

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1. The Economic Times, June 19, 1990; p-4.

CHAPTER - III

PROBLEMS OF JUTE TEXTILE INDUSTRY  
OF INDIA

CHAPTER-IIIPROBLEMS OF JUTE TEXTILE INDUSTRY OF INDIA

The Indian Jute Textile Industry has been an important agro-based industry since its very inception and it faced no insurmountable problems until the partition of the country. Moreover during period of early prosperity, it enjoyed monopoly, with evergrowing external and internal markets. With partition of India in 1947, the industry started facing various problems like shortage of raw material because of shrinkage of cultivable land and inefficiency in the production of jute goods due to obsolescence of outmoded machinery etc., which resulted in unfortunate ups-and-downs. The severity of these problems can be visualised from the fact that this industry was officially recognised as a 'problem industry'. The problems were compounded by Korean war, and its attendant boom which made things worse for the industry. As a result, it was listed officially 'sick' industry. Presently, the Indian jute mills are face-to-face with a lot of problems like those faced by Cotton Textile Industry arising from obsolete machinery, out-dated technology, excessive manpower. Being an old industry, it does not have enough resilience and tenacity to boldly face the difficulty and challenges and to efficiently adapt itself

to the global changes. The slow pace of modernisation contributed a lot to the poor health of the jute sector. Another problem confronting the industry is the demand recession caused by the rapid development of synthetic substitutes that are highly cost effective. Besides all these, there has been a string of problems in jute industry which are dealt separately in the following paragraphs.

#### PROBLEM OF RAW MATERIAL

Irregular supply, costly and low quality of raw jute are the foremost problems of Indian jute industry. The problem of raw material arose has its origin in the partition which almost paralysed the supply of raw-materials to the jute sector. (As a result, the industry was partly dependent on imports in the post partition era.) In spite of various measures, India is still behind its goal of qualitative and quantitative self-sufficiency.<sup>1</sup>

The production of jute is widely affected by erratic behaviour of monsoon and also by unplanned changes in the acreage. However, there is significant improvement in the

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1. Sadhu and Singh: Industrial Economics, Himalaya Publishing House, Delhi-1988; p-289.

productivity of raw jute due to improved method of farming. The productivity has gone up due to better seeds and modern techniques of farming. The unsystematic production of raw jute has always resulted in instability in its prices. It is responsible for upsetting the jute economy; the raw-material constitutes thirty five per cent of the cost of jute manufacturers.<sup>1</sup> The main cause of the fluctuations in the raw-jute prices heavy speculative activities because of the absence of "Canalisation System."<sup>2</sup> The Government agencies, like Jute Corporation of India, Jute Commissioner and Cooperatives, are not the sole agencies of supply of raw materials to the jute mills, They have very little control over its supply. The major part of supply remains in the hands of private sector which makes huge profits through heavy speculative activities. The Central Govt. and its agencies like the JCI and jute commissioner have not been able to break the hold of speculators on jute market. This can be done only if the JCI increases its purchases

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1. Business India, November 14-27, 1988; p-85.

2. Chowdhry D.B.: Canalisation of Raw Jute Trade can help the industry at Present Textile Trends-June 1985; p-44. Here the term 'Canalisation' may be interpreted as the introduction of certain regularity measures to empower the Jue Corporation of India to be the only linking 'Canal' between the Raw Jute market and the Jute Mills-Chowdhry.



subsequently. The mills should build up stocks of 10 weeks consumption. The state cooperatives should give full support to JCI in buying, and building up a buffer stock.<sup>1</sup>

However, the jute commissioner has promulgated the maximum control order under the Jute (licensing and control) Order, 1981, is an effort to stem speculation in the raw jute market and ease the supply position under the order, no jute mills are allowed to build up raw jute stocks in mills, upcountry godowns or keep in transit a quantity in excess of 10 week's requirement.<sup>2</sup>

Often the jute industry managing its raw-materials on credit basis from the raw jute suppliers becomes defaulter of statutory payments. In many cases raw jute suppliers have threatened to stop supplies unless accumulated credit is cleared. However, the JCI has given concession to jute mills, i.e. credit facilities for four weeks. Besides facing financial constraints, it is working out scheme for maintaining buffer stocks to balance the demand and supply of raw jute.

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1. Narayaman K.P.: 'The real threats to jute', The Hindu Survey of Indian Industry, 1985; p-249.

2. Reserve Bank of India Bulletin, May 1989; p-386.

The availability of jute fibre of better grades at reasonable price and timely supply is very important for the production of jute manufactures at minimum cost.

The Government has taken several measures to overcome the difficulties faced by the jute textile industry in connection with raw materials. In 1986, the Govt. has sanctioned Rs. 100 crores for carrying out research to develop the methods of cultivation for higher yield per hectare. The modern techniques of farming are also cost efficient. The Union Government has also decided to permit the imports of raw jute against exports of jute goods by individual jute mills under the Advance Licensing scheme.

Support measures have also been adopted to provide the fair prices the growers which do not go below the minimum support price (MSP).<sup>1</sup> Recently, the JCI is already making out a scheme for maintaining a buffer stock of raw jute.

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1. The Economic Times, June 12, 1990; p-5.

### HIGH COST OF PRODUCTION

The mounting cost of jute products is another important problem faced by the jute textile industry which ensures unfair competition from synthetic substitutes. The four ingredients, viz; the cost of raw material; cost of conversion or manufacturing cost, the government taxes, and profits of entrepreneur enters into the market price of jute products. Among these, the raw jute and labour accounts for 75 per cent of the total cost of finished jute goods. Besides, the excise duty adds Rs. 660/- per tonne to its cost.<sup>1</sup>

The wages have risen by 545 per cent since 1970-71<sup>2</sup> as a result of continuous increase in the dearness and other allowances year after year. Moreover, the rising cost of jute manufactures is also because of low labour productivity. The average mandays required for producing a tonne of jute goods here is between 55 and 60 mandays as against 30 to 35 in China and Thailand.<sup>3</sup> At present, the

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1. Indian Economic Diary, September; 24-30, 1986; p-10917.

2. Business India, November 14-27, 1988; p-83.

3. The Economic Times, June 29, 1989; p-5.

labour cost of sacking comprises 38 per cent of the cost of conversion, In the case of jute carpet the labour cost is only 5 per cent.<sup>1</sup>

The high cost of production has made of jute goods less competition in national and international markets with the synthetics and jute products. In domestic market, the HDPE bags enjoy an excise relief because of inclusion of its units into small scale sector. Besides, it has a low manufacturing cost. As such HDPE bags are cheaper substitutes for jute bags. It is essential that the prices of jute goods are brought down through appropriate measures such as increased productivity and waiver of excise duties etc. It would bring the consumer prices of jute goods to match with the price of its substitutes in the market.

#### PROBLEM OF SUBSTITUTES

Now-a-days, the jute products particularly packaging materials are facing stiff competition with its substitutes like plastic, paper, plywood, etc. which have gained immense popularity in domestic and global packaging markets.

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1. The Economic Times, June 19, 1989; p-7.

The attractiveness and low price substitutes have increased the demand for such packaging materials.

These substitutes have adversely affected the demand for jute packaging and its competitive strength in the national and international markets. It has also contributed to the decline in the exports of Indian jute goods. The United States which was the major consumer of Indian Jute goods in 50's is now poor customer. Its requirements of packaging material are now largely based on substitutes produced from petroleum feed stock.<sup>1</sup> Besides, United State, many other developed countries have now increased the use of synthetics, etc., as packaging material.

In India the use of jute packaging substitutes is more common since its emergence from synthetics, paper and cloth, etc. These bags and wrappings have created an extremely competitive situation for jute products. The technique of storing agricultural commodities has radically changed with silos and giant containers of aluminium and so on.<sup>2</sup>

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1. Kothari's Industrial Directory of India, 1988; p-148.

2. Desai, SSM; Industrial Economy of India, Himalaya Publishing House, Delhi, 1988; p.277.

Moreover, the traditional users of jute packaging have now switched over to its substitutes for packaging their products. It is violating the Jute Packaging Material (compulsory use in packaging commodities) Act, 1987. As the Food Corporation of India and Cement units were packing 30 per cent of production against the 70 per cent statutory provision in the Act.<sup>1</sup> The competition of jute packaging may be reduced with its substitutes by mixing the synthetics to bring down the cost of its manufactures and diversifying its activities.

#### COMPETITION IN INTERNATIONAL MARKET

The competitive of Indian Jute products in the world market has two distinct features, viz., its competition with continental jute products, and competition with alternatives of jute products. Both competitive features include high consideration of quality and cost factors.

Competition of Indian jute goods with other jute goods producing countries on the basis of quality and cost factor has immense potential in the world market. The rival countries like Bangladesh, China, Thailand, etc., are supplying cheap and better jute fabrics in the world jute

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1. Financial Express, March 14, 1990; p-1.

market. As the main counterpart of Indian jute industry, Bangladesh, has an advantage to produce cheaper and better jute products due to its highly equipped modern plants and machinery. Besides it has to pay half of what Indian industry pays for raw jute and labour.<sup>1</sup> Consequently, the Bangladesh has been able to capture the overseas market. However, the price of Indian jute goods rose due to heavy freight charges, taxes, etc. These are the main causes for the declining exports of Indian jute goods which is inferior and costlier than its counterparts.

Secondly, the technological advancement in the world has developed many articles as good as jute products at low cost. The manufacturers of synthetics have put on the market a wide variety of products designed to compete with jute in every possible range of use from packaging to carpet backing.<sup>2</sup> These products have achieved strong-hold in the world market. It is very difficult for the jute industry to stand in competition because these alternatives have adopted the global changes. These alternatives are more economic as compared to jute products besides having attrac-

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1. Business India; November 14-17, 1988; p-85.

2. Sadhu & Singh, op. cit.; p. 290.

tiveness and fairness which are pre-requisites for the changes in packaging styles.

The down-trend in the prices of jute products in the world jute market due to substitutes and upward-trend in the cost of production of Indian jute goods are the main causes of decline in export.

#### PROBLEM TO INTRODUCE NEWER PRODUCTS

The future of Indian jute industry lies in products diversification because its traditional items are facing stiff competition with their substitutes. Sackings market is dwindling due to high cost of production. It constitute 60 per cent of total production. The substitutes of jute goods specifically packaging materials are trying to invade the jute packaging market due to its out-pricing character and wide-range of articles. The synthetic units have more advanced technology capable to meet ever changing global demand. On the other hand jute industry is incapable to produce wide varieties of articles due to lack of technology. Besides, the researches done by jute research institutes for product development remain



unutilised due to its obsolete machinery. Financial constraints did not allow modernisation the jute mills and renovation in jute mills. Moreover, the nature of production and marketing of new jute products is entirely different compared to additional products. The diversified jute products have proved more profitable due to its economy in production as compared to traditional products. The diversification of jute product-mix would certainly minimise the competition with the substitutes by widening the demand base both in national and international markets.

#### PROBLEMS OF IRREGULAR POWER SUPPLY

It is very common problem for all Indian industries including jute textile industry. There is shortage and disruptions in power supply. Irregular power supply causes instability in production process and low capacity utilisation. It results in substantial losses. Power supply to jute mills has been seriously affecting production since 1970. However, there has been lately much improvement in power supply. The jute mills in West-Bengal were once again victims of the acute power crisis during late seventies.<sup>1</sup>

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1. Kotharis' Economic & Industrial Guide in India, 1982; p-3.

Power stoppage on account of load-shedding and power restrictions not only cause loss of production but place additional burden on the industry by way of lay-off compensation to employees for the period of suspension of production. The irregular power supply causes high cost of production as it prevents the full utilization of existing capacity. Naturally the industry suffers a set-back.

#### PROBLEM OF INSTABILITY IN PRODUCTION

The production trend of jute industry has remained highly instable since its inception. It has shown wide fluctuations in output as compared to other industries. This peculiar feature of jute industry has been noticed in alternate years. It causes fluctuations in production.

There are many reasons for such state of affairs of irregular and inadequate supplies of raw jute, shortage of power, slackness of external demand, and lack of incentives. It is surprising that even in periods of normal supply of raw material, steady price production had declined.<sup>1</sup> Further, the working of jute mills has certain irregularities

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1. Datt & Sundaram: Indian Economy; Sultan Chand and Company Ltd. New Delhi, 1989; p-575.

due to lock-outs and strikes and the sickness in jute industry. As results, the industry faces financial crisis.

#### PROBLEM OF FULL CAPACITY UTILIZATION

The problem of under utilization of existing capacity of jute industry has two aspects. Firstly, the poor performance of jute mills is due to lack of proper management and persistant internal inefficiency. According to a study by Reserve Bank of India the technical efficiency is not more than 60 per cent. It implies that output on the average was 40 per cent below the normal capacity and the cost of production 25 to 30 per cent above the normal level.<sup>1</sup> Secondly, the capacity utilization is low due to heavy loss of mandays in strikes and lock-outs. It involved loss of 3,500 tonnes of production per day in this sector due to strike.<sup>2</sup> In a normal year the jute industry utilize only 78 per cent of the installed sacking looms and 82 per cent of hessian looms.<sup>3</sup>

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1. Financial Express: March 13, 1990; p-11.

2. Indian Economic Diary, March 25-31, 1984; p-9846.

3. Interim report of the Commission of Inquiry on Jute Industry, 1970; p-69.

From the above discussion it is clear that jute industry utilizes nearly 80 per cent of its existing capacity. The capacity utilization may be enhanced through modernisation of its machinery and proper management. It would go a long way to bring the cost of production down so much so that it become a competitive product in the market.

#### PROBLEM OF FINANCE

The jute industry is also facing financial problems both the short term and long term. The industry is not financially strong to avoid dislocation as a result of minor financial crisis. There is also the problem of shortage of working capital in many jute mills. Apart from this the problem of finance is more acute specially in those units which are incurring losses and are sick.

The declining trend in profitability started in 1970 due to shrinkage in export and increasing use of jute substitutes. It resulted in regular loss to jute industry except a few units which have diversified their jute manufactures by renovating their plants. It proved to be more

profitable as compared to traditional items. The unprofitable working of the industry has completely eroded the capital base of jute companies. According to Mr. Poddar, each mill is incurring a loss of Rs. 20 lakh a month at present.<sup>1</sup> Moreover, the nationalised jute sector, National Jute Manufactures Corporation, has incurred a cash loss of around Rs. 45 crore during 1988-89. The accumulated cash loss of the corporation up to 1987-88 was a little over Rs. 265 crore.<sup>2</sup> The recent rise in the cost of production is the main causes for the decline in profitability of jute mills. To prevent losses due to high cost of production the jute industry has cut down the production by 10 per cent to contain the losses and avoid mounting inventories.<sup>3</sup> In fact some jute mills which wanted to close down their units could not do so due to compulsion of Trade Unions and West-Bengal Government.

#### PROBLEM OF RATIONALISATION OF LABOUR

The excess man-power is another important problem faced by Indian jute textile industry at present due to

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1. The Economic Times, June 12, 1989; p-5.

2. Financial Express, March 30, 1989; p-7.

3. Indian Economic Diary, April 16-22, 1986; p-100.

its obsolete and technically inefficient machinery. As it requires two worker, per loom in old machinery while the new machinery requires one worker for four looms.<sup>1</sup> The surplus labour force has increased the cost of jute manufactures, as the wages account for 40 per cent of the cost which is disadvantageous to Indian jute industry as compared to its counterpart in Bangladesh. Daily wage in India is Rs. 60 as against 40 -42 taka (or Rs. 17) in Bangladesh.<sup>2</sup> The high cost of jute manufactures has reduced the competitiveness of Indian jute products with continental jute goods producing countries and cheap synthetic substitutes. Rationalisation is absolutely necessary for higher productivity. Modernisation and renovation should be undertaken as a part of rationalisation.

#### PROBLEM OF INDUSTRIAL RELATIONSHIP

Higher industrial productivity needs better industrial relations. The interdependence of human and technological factors is indispensable. Industrial relations would

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1. India Today, August 31, 1987; p-95.

2. Business India, November 14-27, 1988; p-85.

prevail in the industry if measures are taken to improve working conditions. The working places are quite hazardous for jute workers due to lack of proper ventilation. There is an excess of silica particles in addition to dirt and fluff which causes pulmonary diseases to the workers and the same is be the housing condition. During the last two-three years, the industrial relations have been affected by change in the ownership of jute mills as nearly a dozen jute mills have changed hands in 1987. The new entrepreneurs have reduced wages and increase in the work-loads to safeguard their own interests. It is also counter production of labour welfare that the Provident Fund payments have been suspended, besides suspension of Employees Insurance Scheme, bonus, etc. The workers due to fear of unemployment agree have to accept the reduced wage rates because the workers understand well that low wages are much better than no wage.<sup>1</sup> Apart from this new trend of wage cuts, twenty errant mills owe more than Rs. 100 crore to workers in the form of arrears of provident fund and Employees Insurance Scheme.<sup>2</sup> Moreover, even the jute mill owners default in the payments of fire, accidental or other claims

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1. India Today, August 31, 1987; p-95.

2. Financial Express, June 22, 1989; p-1.

to their workers, while they do not lose anything because every thing is insured.

The mill owners do not want to protect the interest of workers and some old owners are willing to dispose off their jute mills as they are beyond salvation and can not extract profit. There is tendency among jute mills entrepreneurs to make quick money or siphon off profits through the least possible ways. This of course has led to unrest among the workers. It has resulted in lower utilisation of capacity and given rise to strikes and other disputes between workers and the management.

#### PROBLEM OF MANAGEMENT

The management of jute textile industry is more critical due to lack of professional oriented base which is essential for sound management. Many jute mills have still their traditional pattern of management which is incapable to meet the challenges faced by the industry. The lack of efficiency in jute sector has been caused by deliberate acts of mismanagement. The sick units are not properly managed as compared to other jute mills.

The new breed of entrepreneurs has brought at first noticeable changes by introducing professional mana-



gement in place of owner-based management.

The self-reliant base in jute textile industry seeks first that the management of jute textile mills should be professional-oriented and more dynamic to face the threats by synthetics and jute goods of other countries at home and abroad. Secondly, the traditional management should be more careful about the welfare of its employees to maintain better industrial relations. Further, there should be proper marketing facilities and after sales services, etc. It should be mainly concerned with volume of sales and control of sales costs etc. Customers satisfaction should not remain neglected. The management should plan its marketing activities to attain these objections.

#### PROBLEMS OF SICKNESS

The increasing industrial sickness in India is a matter of great concern. According to Sick Industrial Companies (Special provision) Act, 1985, 'Sick Industrial Company' means a medium and large (i.e. non-small scale industry) industrial company (being registered for not less than seven years) which has at the end of any financial year accumulated losses equal to or exceeding its

entire net worth and has also suffered cash losses in financial year immediately preceding such financial year.<sup>1</sup> The causes of industrial sickness may be internal or external.

Sickness in jute textile industry is more complex. Most of the causes be outside the management parameter. The shift of demand for synthetic substitutes in the packaging market has caused wide spread sickness in many jute units, both in private and public.<sup>2</sup> The Central Government has set up the Board for Industrial and Financial Reconstruction (BIFR) with effect from 12th January, 1987 in pursuance of sick Industrial Companies (Special provision) Act, 1985. It has declared 80 per cent of the mills as sick.<sup>3</sup> Only those units could protect themselves from sickness which had broadened their range of production and also engaged in diversified activities. Those units are in position to function profitably though the return on investment has been less than that available in other sectors of the industrial economy.<sup>4</sup> The following table gives information about outstanding bank credit.

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1. Reserve Bank of India-Report on Currency and Finance, Bombay, 1989-90; p-73.
  2. Chattopadhyay, P.: "Jute goes the indigo way "Commerce May 31, 1986; p-1065.
  3. Business India, November 14-27, 1989; p-87.
  4. Kothari's Industrial Directory of India-1988; p-A144.

TABLE NO. 22NUMBER OF JUTE MILLS AND AMOUNT OF OUTSTANDING BANK CREDITS

Year	Number of Units	Amount of outstanding bank credits at the end-June (value in Crore Rupees)
1978	31	76.6
1983	37	120.53
1984	36	120.45
1985	44	151.65
1986	43	199.58

Source: Compiled from Report on currency and Finance  
1986-87; p-72 and India's Economic Information  
Year Book 1988-89; p-121.

In 1978, there were 31 sick jute units with out-  
standing bank credits of Rs. 76.6 crore and the number  
increased to 37 in 1983 owing Rs. 120.53 crore i.e., an  
increase of 57.34 per cent over the previous figure. In  
1985, the number of sick jute units reached 44 with out-  
standing bank credit of Rs. 151.65 crore which rose to

Rs. 199.58 crore in 1986 i.e. 31.6 per cent over the previous figure. The table further reveals the increase in the outstanding bank credit of ever increasing the number of sick units.

Undoubtedly, the important step taken recently by the Government to arrest the industrial sickness was enactment of a comprehensive legislation viz. the sick industrial companies (special provision) Act, 1985 and setting up a Board for Industrial and Financial Reconstruction thereunder. Moreover, Jute Modernisation Fund of Rs. 150 crore in 1986 has been a very commendable step to restore the health of the jute sector. But this could not bring any substantial improvement in the health due to certain reasons like slow disbursement of funds, considerable time in choice of technology (particularly that for circular looms). The rehabilitation package for sick mills has to be closely examined by financial institutions.<sup>1</sup>

Systematic and well directed efforts are necessary with a time-bound and result oriented plan of action to

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1. Financial Express, March 6, 1989; p-2.

to restore the health of sick jute mills. To avoid the financial crisis the industry needs a special financial assistance for working capital from the Government on reasonable terms and conditions. Unless industry's working capital base is re-inforced through concessional loans, there is little scope of the recovery of sick jute mills.

#### PROBLEM OF MODERNISATION

Most of the machines of Indian jute textile industry are obsolete and technologically backward causing low productivity, overemployment and inefficiency. Low productivity, increases the cost of production which results in low profitability. Due to this, the jute industry has failed to build up adequate reserves for the replacement of machinery and plant. The old and obsolete machinery also prevent any improvement in the quality. The industry should consider dynamic changes which are taking place in the global jute market. After independence, efforts were made to rehabilitate the industry but could not establish itself in a sound position due to slow pace of modernisation and most of the jute mills became sick, even unable to pay interest on loans from banks and financial institutions. As a consequence, several units have been closed for a long period.<sup>1</sup>

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1. Sadhu and Singh, Op. cit; p-289.

The old and obsolete machinery needs higher repair and maintenance cost. Today more than fifty per cent of installed capacity is not less than seventy years old. The major modernisation was carried out during 1955-60. Again in 1978-79, modernisation and renovation work was started but due to world-wide recession in the jute industry since 1982, which ultimately resulted in liquidity constraints, it would not continue and was left half-way.<sup>1</sup> Since then, no such measures have taken till 1986, when Jute Modernisation Fund Scheme (JMPS) has sanctioned an amount of Rs. 150 crore for modernisation of jute mills. Till the end of September 1990, 39 jute mills have applied for modernisation fund but withdrew later. So far the Government had sanctioned Rs. 90 crore for 22 mills and application of nine had been rejected.<sup>2</sup>

However, modernisation has not been upto the mark due to the vested interests of mill owners. In short-term they siphoned off the profits and surpluses, neglecting

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1. Bysack Deepak: Modernise Jute Industry without delay Yojana, March 16-31, 1987.

2. The Financial Express, November 12, 1991; p-5.

modernisation of mills. The total modernisation requires investment of Rs. 400 crores. The modernisation can be effective if management and trade unions work together.

The full pace of modernisation after a certain period is necessary to become self-reliant to serve the needs of nation and world at a reasonable prices. Moreover, the modernisation would also increase the productivity, quality and yield economies of production.

#### CHAPTER - IV

#### CONCLUSIONS AND SUGGESTION



CHAPTER-IVCONCLUSIONS AND SUGGESTIONS

This chapter essentially summarises the findings of the study and provides suggestions for the improvement of the prevailing conditions in the jute textile industry of India. The jute industry since its very inception emerged as highly important industry in view of employment and foreign exchange earnings. Presently the jute industry is confronted with enormous problems. It has become imperative to redesign the policies in order to improve the working of the industry.

The first chapter traces the long history of jute from its earliest recorded use as a string or rope, to the present-day discovery for its versatile application mainly by the Bengali handloom weavers, who started its use as a packaging material. Besides the export potential of raw jute was fully tapped during the last decade of 18th century, though the big boom was caused by Crimean war.

Till the first-half of the 19th century, major share of jute output had to be exported in raw condition. It was in the year 1855 when the first jute mill was estab-

lished and then onwards the jute industry underwent a sea-change both in terms of number of jute mills as well as production of jute goods. As per life cycle theory it was a period of its growth, so more jute mills and power-looms were established following ever increasing internal demand, exports increased, profits accumulated inviting more and more investment. The establishment of Indian Jute Mill Association (IJMA) was another mile-stone to regulate the output and control trade. It substantially helped the industry within short-span of forty-five years (from 1855-1900).

The first world war brought in its wake another boom for jute industry as demand of Indian Jute goods recorded a remarkably steep rise. But this growth was temporarily checked by the recession of early 'thirties' the effect of which was undone by second war that again resulted into increased in demand of Indian jute goods. As a result, India was able to establish its monopoly in the world market.

The overwhelming concentration of jute mills in West-Bengal has been affected mainly because of locational

proximity to the sources of raw material. Besides, the acute shortage of raw jute as a consequence of partition of the country had given impetus in raising locally grown substitute fibres of jute which led to establishment of jute mills in certain other states. Moreover, increased demand of jute packaging due to rapid industrialisation resulted into establishment of such industries.

Having seen many vicissitudes in its life, the jute industry still occupies a special status in Indian economy by way of employment of both capital and men. It remains the largest exporter of jute manufactures which is almost diversified in spite of registering a continuous decline in its volume since 1970. The traditional packaging materials are facing stiff competition in its external and internal markets due to inroads made by cheap synthetics and other substitutes. Besides suffering huge losses, the profitability of industry has been eroded. This caused wide-spread sickness in this sector as out of 69 jute mills 43 are identified as sick units. To reverse declining trend in demand for jute packaging materials the government passed jute packaging materials (compulsory

usage) Act, 1987. In addition, the jute industry itself made attempts to change the product-mix to wriggle out of dark alleys of sickness. In this regard, jute Manufacturers Development Council, a statutory body functioning under the aegis of Textile Ministry is committed to the task of promoting diversification in jute industry. To accomplish the objective it is rendering great help in the form of promotion and marketing.

The Second chapter shows that during post-independence period, there has been sufficient growth in jute production as a result of enhanced productivity and acreage. Being influenced by rainfall its production remains unstable and Jute Corporation of India (JCI) was established in 1971 for the procurement of raw jute. Though the major control remains in the hands of private middlemen, yet the Jute Corporation of India and Minimum support price operation have given some relief to the industry as well as to the growers. The high cost traditional jute packaging items are facing severe competition in its market due to emergence of cheap substitutes which has also diluted its growth. Contrary to it, the non-traditional

(diversified) items have affected its market potential. However, still the share of cheap substitutes in jute goods market is very low because the existing technology could not produce it on large scale. Moreover, the non-traditional items in recent times have sufficient growth as compared to traditional packaging products. The Research and Development efforts have brought down the manufacturing cost of jute diversified items to increase the profitability of the industry. It may also establish a viable domestic base vis-a-vis for overseas market.

The third chapter deals with the problems of low quality raw-material, low capacity utilization, obsolete technology, lack of modernisation, irregular power supply and labour unrest, etc. It has created a vicious circle in jute industry of high cost and low profitability. The cheap substitutes have added to financial problems have manifested by sickness in the industry.

In the light of the present study, the following suggestions are being given in order to maintain and bring

some tangible changes in overall working of the crisis ridden jute textile industry of India:

For a regular supply of raw material at reasonable prices, the government should regulate the raw jute market through monopoly procurement. It would foil the attempts of private traders and farias who are responsible for speculation in jute market. The government should ensure the proper functioning of the jute market. The Jute Corporation of India should intensify its operations for canalisation system and maintain buffer stock to enable the jute mills to get a regular supply of raw-materials. It is worth considering to frame a price policy including Minimum Support Price (MSP). It would be helpful to the industry to rationalise the cost of jute manufactures. In fact there is correlation between the prices of raw jute and jute manufactures. The Jute Corporation of India should collect the raw jute directly from the growers to protect their interest. Moreover, advance license should be given to all the export oriented units through Joint Chief Controller of Import

and Export (JCCI&E) to import better quality jute fibre to match the quality of Indian jute goods with its counterparts in external markets.

The competitiveness of jute packaging products with synthetic substitutes may be reduced by bringing down the manufacturing cost by mixing synthetic fibre. It is necessary that there is proper implementation of mandatory order particularly in case of bulk consumers, e.g. cement, fertilizer, sugar and other industries. It would be helpful to maintain the demand in the already shrinking domestic market. A monitoring committee should be comprising Directorate General of supplies and Dispersal (DGS&D) and Indian Jute Mills Association(IJMA). The committee should entrusted with the task of timely delivery of jute goods to consuming industries. Further, it will be more helpful to maintain the internal market demand. Moreover, the Indian Jute Mills Association should chalk out a long-term plan to fix quota for weaker and sick jute mills. The sick units have to be protected from the clutches of private merchants. It would be helpful for the survival of jute mills in the short-term as the

demand for the jute packaging is expected to stabilize at much reduced level in forthcoming decades. To regain our past position in the foreign market there should be a broad-based export strategy for improving marketing of India jute goods. The export strategy should incorporate the elements of adjustment for changing pattern of demand. The industry should be assisted to produce the jute items according to consumer preferences. It is seen in European market that Bangladesh jute products have an edge over the Indian jute products due to low price and good quality. However, the assistance provided by Indian Jute Industries' Research Association (IJIRA) has yielded good results in terms of quality. There has been lately good response in European markets to the jute products in conformity with high quality standards specified by the Indian Jute Industries Research Association. It has been profitable to develop new kind of product range, viz., jute wool, jute tepestry and other new end-uses. The diversification in the product-range would ensure the economic viability of the industry in the long-term. In this process, the synthetics can become a complementary rather than a competing fibre. Moreover, the jute techno-



logists believe that non-traditional jute products are more profitable as compared to the traditional packaging products.

The Government must provide certain tax relief, to jute industry besides External Market Assistance and Internal Market Assistance. To strengthen competitiveness in external market, it is called to introduce freight-subsidies.

Besides the fiscal incentives, liberalisation in import of plant and machines is necessary for the production of quality jute goods at competitive prices. The jute industry would become profitable as a result of modernisation. The delay in acquiring highly needed technology would only add to losses in foreign earnings. The industry would be in a position to contribute 60 per cent of the total export by 1992-93; provided by Govt. undertakes imports of modern plants and machines for the jute industry to produce high quality jute products.

The need to ensure the regular supply<sup>of power</sup> is obviously greater and more important as compared to other sector. There should also be some more concessions on electricity charges. Irregular supply and load shedding should be avoided strictly. The instability in the production of jute goods may be avoided by ensuring regular supply of power, raw-material and provision of incentives. This will go a long way in eliminating the problems of full capacity utilization.

Industrial relations should be improved by creating better understanding between the management and workers. It is advisable that professional management should be employed by owners which is more capable to create better environment in the units to motivate the employees for increasing productivity and maintaining the health of the industry. Moreover, the sales and marketing department should be organised within the industry instead of depending on outside agencies.

Immediate plan should be chalked out for the modernisation and renovation of the existing plants and

machinery which is essential to reduce wastage and bring down the cost of production. It is necessary to create jute Modernisation Fund at least of Rs. 400 crore. It is desirable that Government make it obligatory for each mill to contribute to Jute Modernisation Fund. The trade unions should also cooperate with mill-owners to make this sector self-reliant. Moreover, the Government should waive off the outstanding bank credits of sick units.

The research scholar is convinced that the industry's competitiveness would be strengthening if measures suggested in the course of the present study are implemented. It would go a long way in conducing to the faster growth of the jute industry.

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